Sun Art Retail Group Ltd.

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

2022/2023 ANNUAL REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Director

LIN Xiaohai *(Chief Executive Officer)*

Non-Executive Directors

HUANG Ming-Tuan *(Chairman)*
HAN Liu
LIU Peng

Independent Non-Executive Directors

Karen Yifen CHANG
Dieter YIH
Charles Sheung Wai CHAN

AUDIT COMMITTEE

Charles Sheung Wai CHAN *(Chairman)*
Karen Yifen CHANG
Dieter YIH

REMUNERATION COMMITTEE

Karen Yifen CHANG *(Chairman)*
Dieter YIH
Charles Sheung Wai CHAN
HUANG Ming-Tuan *(appointed on 16 May 2023)*
LIU Peng *(ceased on 16 May 2023)*

NOMINATION COMMITTEE

Dieter YIH *(Chairman)*
Karen Yifen CHANG
Charles Sheung Wai CHAN
HUANG Ming-Tuan *(appointed on 16 May 2023)*
LIU Peng *(ceased on 16 May 2023)*

COMPANY SECRETARY

HO Hang Yu Helen

AUTHORISED REPRESENTATIVES

LIN Xiaohai
HO Hang Yu Helen

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Certified Public Accountants and
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COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 March 2023 *RMB Million*	For the year ended 31 March 2022 *RMB Million*	Change	Change%
Revenue	**83,662**	88,134	(4,472)	(5.1)%
Gross Profit	**20,581**	21,473	(892)	(4.2)%
Operating Profit	**1,177**	18	1,159	6,438.9%
Profit/(Loss) for the Year	**78**	(826)	904	NA
Profit/(Loss) Attributable to Owners of the Company	**109**	(739)	848	NA
Earnings/(Loss) Per Share ("EPS") – Basic and diluted[(1)]	**RMB0.01**	RMB(0.08)		

	As at 31 March 2023 *RMB Million*	As at 31 March 2022 *RMB Million*	Change	Change%
Total Assets	**64,118**	65,746	(1,628)	(2.5)%
Total Liabilities	**39,921**	40,680	(759)	(1.9)%
Net Assets	**24,197**	25,066	(869)	(3.5)%
Net Cash Position[(2)]	**19,449**	18,659	790	4.2%
Gearing Ratio[(3)]	**0.80**	0.74		

Notes:

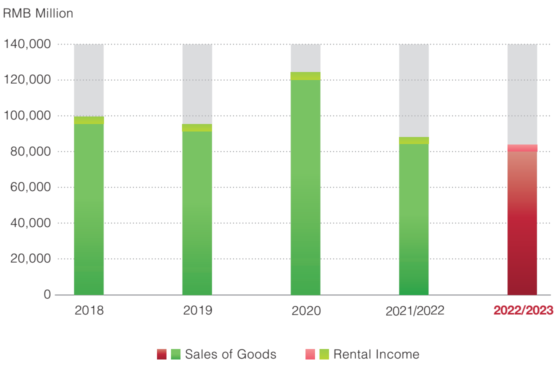
(1) The calculation of basic and diluted earnings/(loss) per share for the years ended 31 March 2023 and 2022 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

(2) The balance of net cash position is calculated as the sum of cash and cash equivalents, financial assets measured at fair value through profit or loss and time deposits minus maturity amount of bank loans.

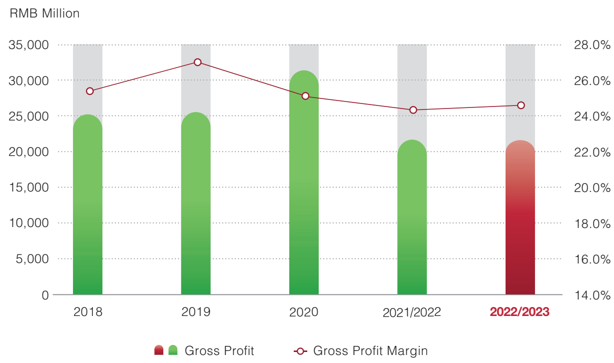
(3) Gearing Ratio = Net Cash Position/Total Equity

FINANCIAL HIGHLIGHTS

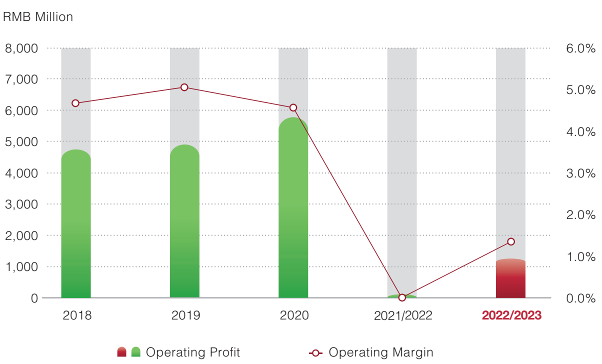
Revenue



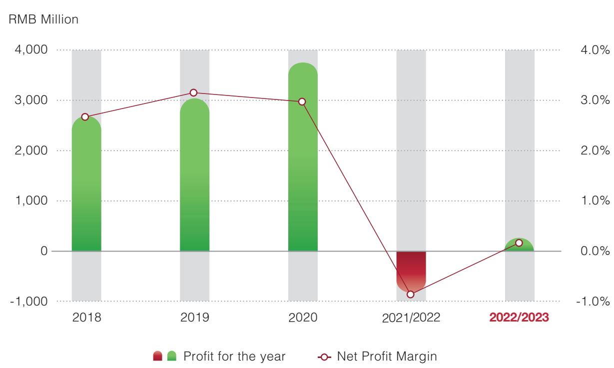
Gross Profit & Margin



Operating Margin



Net Profit and Margin



Note:

1) The figures in 2018 and 2019 represent the financial highlights for the years ended 31 December respectively.

The figures in 2020/2021 represent the financial highlights for the fifteen months ended 31 March 2021.

The figures in 2021/2022 and 2022/2023 represent the financial highlights for the years ended 31 March respectively.

Dear Shareholders,

In fiscal year 2023, the retail industry was affected by the pandemic and was a year of difficulties and challenges. Under the leadership of Mr. LIN Xiaohai, our Chief Executive Officer, Sun Art adhered to implement the Group's established strategies, being bold in quick iteration and innovation, in particular, having won the favor and trust of customers in the pandemic supply guarantee period.

In the past year, based on the remodeling version 2.0 of hypermarkets, Sun Art launched the remodeling version 3.0, aiming to improve the efficiency of product circulation, release staff to enhance the capabilities of merchandising and customer service, thus to improve "product efficiency", "labor efficiency" and "area efficiency".

In fiscal year 2023, fresh products, as a customer attractor and differentiated category, its supply chain infrastructure has taken shape. Through full chain optimization, Sun Art was competing against time on "freshness". Through efficiency improvement of warehouses, full chains and stores, Sun Art has provided wide range of offerings, stable quality and certain service experience to the customers. The customer satisfaction index, NPS ("**Net Promoter Score**"), continued to improve and has acquired good reputation from customers.

Sun Art has more than 20 years of retail service experience. With product differentiation capabilities and digital membership capabilities, Sun Art will provide customers with omni-channel shopping experience and become a trustworthy retailer.

Thank you for your continuous trust and support in Sun Art.

Mr. HUANG Ming-Tuan
Chairman of the Board
16 May 2023

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

I would like to express my gratitude to all shareholders for your support in Sun Art, and to our Chairman as well as the board of directors for their continuous trust and guidance to the management.

In fiscal year 2023, Sun Art endeavored to focus on infrastructure construction and capability development by:

i. Recruiting a thousand of energetic young trainees in the last two years. The capabilities of our management team has continuously improved and the hierarchy of an innovative management team is basically in shape.

ii. Developing 14 fresh produce processing centers ("**FPPCs**") to cover 80% of stores nationwide, and establishing buyer and seller mechanism to satisfy the demands for fresh products in multi-format and omni-channel.

iii. Forming private label ("**PL**") team and creating own brands, exclusive and tailor-made products to develop more than 100 differentiated products.

iv. Completing the revamping and upgrading of 40 stores so as to present a different RT-Mart to customers.

In response to the changes in the competitive landscape and consumption habits, based on the three major strategies, the Group has incorporated product power into core strategies as a primary one. The Group's four major strategies of fiscal year 2024 will be:

i. Product power – customers come to RT-Mart for the purpose of purchasing RT-mart's products

ii. Offline experience center – to inspire customers to "love life, shop in RT-Mart".

iii. Online fulfillment center – to provide customers with stable quality, experience and services.

iv. Multi-format – to expand RT-Super and experiment M Club, aim to create a second revenue growth curve for Sun Art.

Looking forward, Sun Art owns a highly efficient team with unified philosophy and courage of transforming and learning. With the advantages of fresh food supply chain capabilities, digital membership capabilities and the scale of more than 500 stores, Sun Art will indeed create healthy-and-fun places for customers and back to the growth trajectory!

Finally, I would like to thank all the shareholders again for your support in Sun Art. Thank you.

Mr. LIN Xiaohai
Chief Executive Officer
16 May 2023

FINANCIAL REVIEW

Revenue

Revenue is derived from sales of goods and rental income from tenants. Revenue from sales of goods is primarily derived from the brick-and-mortar stores and 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 spaces in brick-and-mortar stores complexes to operators of businesses that we believe are complementary to the stores.

For the year ended 31 March 2023, revenue from sales of goods was RMB80,535 million, representing a decrease of RMB4,060 million, or 4.8%, from RMB84,595 million for the year ended 31 March 2022.

For the year ended 31 March 2023, the Same Store Sales Growth[(1)] ("**SSSG**") calculated based on sales of goods excluding electronic appliances was -4.0%. The Group's offline sales, mainly contributed by sales from the brick-and-mortar stores, has been affected by the traffic decline, while the Group's online Business to Customer (the "**B2C**") business and the sales to Alibaba Group on community group buying (the "**CGB**") achieved significant progress with the double-digit growth which mitigated the drop of the offline sales.

For the year ended 31 March 2023, revenue from rental income was RMB3,127 million, representing a decrease of RMB412 million, or 11.6%, from RMB3,539 million for the year ended 31 March 2022. The shortening business hours and temporary store closures resulted in a decrease in the Group's rental income. The Group's rent concession policy granted in favor of gallery tenants further reduced the rental income.

Gross Profit

For the year ended 31 March 2023, gross profit was RMB20,581 million, representing a decrease of RMB892 million, or 4.2%, from RMB21,473 million for the year ended 31 March 2022. The decrease in gross profit resulted from the decrease in revenue from sales of goods and rental income.

The gross profit margin for the year ended 31 March 2023 was 24.6%, representing an increase of 0.2 percentage points from 24.4% for the year ended 31 March 2022 which was attributed to (i) the slowdown in marketing investments and focus on omni-channel digital membership operations; and (ii) the Group's efforts to increase product competitiveness and achieve a steady development in the fresh product supply chain.

Notes:

(1) Same Store Sales Growth: the growth rate of sales of the stores opened before 31 March 2023. It is calculated by comparing the sales derived from those stores during their operating periods in the year ended 31 March 2023 with sales during the corresponding year ended 31 March 2022.

Other Income and Other Gains, net

Other income and other gains, net consists of government grants, gain on financial assets measured at FVPL, interest income, income from disposal of packaging materials, net loss on disposal and reassessment of investment properties and other property, plant and equipment, and other miscellaneous income.

For the year ended 31 March 2023, other income and other gains, net was RMB1,475 million, representing an increase of RMB26 million, or 1.8%, from RMB1,449 million for the year ended 31 March 2022. The increase was mainly attributed to the reduction of net loss on disposal and reassessment of investment properties and other property, plant and equipment. At the same time, the decrease of miscellaneous income, (including, among other things, parking fees, income from usage of playground facilities, temporary rental payments from the usage of brick-and-mortar stores spaces for advertisement and promotion stands) partially offset the reduction of net loss on disposal of properties.

Selling and Marketing Expenses

Selling and marketing expenses represent the expenses attributable to the operations of the stores and online business. Selling and marketing expenses primarily consist of personnel expenses, operating lease charges, expenses for utilities, maintenance, advertising, shuttle bus services and cleaning, together with the depreciation of property, plant and equipment.

For the year ended 31 March 2023, selling and marketing expenses were RMB18,510 million, representing a decrease of RMB1,843 million, or 9.1%, from RMB20,353 million for the year ended 31 March 2022.

The decrease was primarily attributable to (i) a decrease of RMB1,064 million impairment loss accrued for the stores; and (ii) the management's effort to increase cost control and efficiency.

The amount of selling and marketing expenses for the year ended 31 March 2023 as a percentage of total revenue was 22.1%, representing a decrease of 1.0 percentage points, from 23.1% for the year ended 31 March 2022.

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 March 2023, administrative expenses were RMB2,369 million, representing a decrease of RMB182 million, or 7.1%, from RMB2,551 million for the year ended 31 March 2022. The decrease was mainly attributable to the reduction of loss allowance accrued for trade receivables and other debtors.

The amount of administrative expenses for the year ended 31 March 2023 as a percentage of total revenue was 2.8%, representing a decrease of 0.1 percentage points, from 2.9% for the year ended 31 March 2022.

Operating profit

For the year ended 31 March 2023, the operating profit was RMB1,177 million, representing an increase of RMB1,159 million, or 6,438.9%, from RMB18 million for the year ended 31 March 2022.

The operating margin during the year ended 31 March 2023 was 1.4%, an increase of 1.4 percentage points, from close to breakeven for the year ended 31 March 2022.

Without taking into account the impact of the RMB384 million impairment loss accrued, the operating profit was RMB1,561 million for the year ended 31 March 2023 and the operating margin was 1.9%.

Finance Costs

Finance costs primarily consist of the interest expenses on other financial liabilities, borrowings and lease liabilities. For the year ended 31 March 2023, the finance costs were RMB454 million, representing a decrease of RMB66 million, or 12.7%, from RMB520 million for the year ended 31 March 2022. The decrease was related to the reduced balance of lease liabilities.

Income Tax Expense

For the year ended 31 March 2023, income tax expense was RMB644 million, representing an increase of RMB321 million, or 99.4%, from RMB323 million for the year ended 31 March 2022.

The related effective tax rate for the year ended 31 March 2023 was 89.2%, significantly higher than the income tax rate of 25% under the EIT Law, which was mainly attributable to the unrecognized deferred tax on tax losses generated in several entities since the recoverability of those tax losses before their expiry was not certain.

Profit/(Loss) for the Year

For the year ended 31 March 2023, profit was RMB78 million, representing a turnaround increase of RMB904 million, from a loss of RMB826 million for the year ended 31 March 2022.

The net profit margin for the year ended 31 March 2023 was 0.1%, increasing by 1.0 percentage points, from a net loss margin of 0.9% for the year ended 31 March 2022. The increase was primarily attributable to the increase in operating margin.

The post-tax impact of the provision mentioned above in the operating profit section was RMB288 million. Without taking into account the impact of such, the Group generated a net profit of RMB366 million and the net profit margin was 0.4% for the year ended 31 March 2023.

Profit/(Loss) Attributable to Owners of the Company

For the year ended 31 March 2023, the profit attributable to owners of the Company was RMB109 million, representing an increase of RMB848 million, from a loss of RMB739 million for the year ended 31 March 2022.

Loss Attributable to Non-Controlling Interests

For the year ended 31 March 2023, the loss attributable to non-controlling interests was RMB31 million, representing a decrease of RMB56 million, or 64.4%, from a loss of RMB87 million for the year ended 31 March 2022.

The loss attributable to non-controlling interests represented (i) interests in ACI and CIC from the Auchan Scheme and RT-Mart Scheme; (ii) the interest held by independent third parties in three of the subsidiaries, namely, People's RT-Mart Limited Jinan, RT-Mart Limited Shanghai and Fields Hong Kong Limited ("**Fields HK**"); and (iii) the interest held by Hema (China) Co., Ltd. in Shanghai Run He Internet Technology Co., Ltd.

Liquidity, Financial Resources and Gearing Ratio

For the year ended 31 March 2023, net cash inflow from operating activities was RMB4,302 million, representing an increase of RMB725 million, or 20.3%, from RMB3,577 million for the year ended 31 March 2022.

As at 31 March 2023, the net current liabilities increased to RMB900 million from RMB356 million as at 31 March 2022. The increase was primarily attributed to the Group's payment for the purchase of time deposits with maturity over a year, which amounted to RMB950 million.

For the year ended 31 March 2023, the inventory turnover days and trade payable turnover days, calculated on average balances of inventories and trade payables, together with the cost of inventories during the year, were 52 days and 70 days, respectively, compared to 53 days and 71 days for the year ended 31 March 2022.

As at 31 March 2023, the net cash position of the Group was RMB19,449 million as compared to RMB18,659 million as at 31 March 2022. The gearing ratio, calculated by dividing net cash position by the total equity was 0.80 as at 31 March 2023 as compared to 0.74 as at 31 March 2022.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and sound capital position. The Group continually makes adjustments, when necessary, to maintain an optimal capital structure and to reduce the cost of capital.

Investing Activities

For the year ended 31 March 2023, net cash outflow from investing activities was RMB1,200 million, representing a decrease of RMB4,501 million, or 136.4%, from net cash inflow from investing activities of RMB3,301 million for the year ended 31 March 2022. The decrease was mainly attributable to the decrease in the net proceeds generated from investment in financial assets measured at FVPL.

The net cash outflow from investing activities mainly reflected in (i) the capital expenditure of RMB1,454 million paid in respect of the development of new stores and the remodelling and digitalization of existing stores; (ii) the net proceeds generated from investment in financial instruments measured at FVPL of RMB2,392 million; and (iii) the net proceeds used in investment in time deposits with maturity over three months of RMB2,569 million.

An independent professional valuer had been engaged to measure the fair value of the buildings owned by the Group, the associated leasehold land use rights and the right-of-use assets related to the lease properties. As at 31 March 2023, the total fair value of such properties was RMB52,335 million, among which, the fair value of the investment properties was RMB20,810 million.

Financing Activities

For the year ended 31 March 2023, net cash outflow from financing activities was RMB1,988 million, with a decrease of RMB1,692 million, or 46.0%, from RMB3,680 million for the year ended 31 March 2022. The decrease was mainly attributable to (i) the decrease in the dividends paid and cash paid for the acquisition of non-controlling interests; and (ii) the new proceeds from borrowings received.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals in relation to subsidiaries, associates and joint ventures during the year ended 31 March 2023.

Foreign Exchange Risks

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 that the Group's exposure to foreign exchange risk is not significant.

As of the date of this report, the Group has not used any currency hedging instruments, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum.

Pledged Assets

As at 31 March 2023, the Group did not pledge any assets for bank loans or banking facilities.

BUSINESS REVIEW

Operating Environment

In 2022, China's gross domestic product ("**GDP**") exceeded RMB120 trillion, a new record high for the economy, reaching about RMB121,020.7 billion. The year-on-year growth rate was 3.0%. In terms of quarters, the year-on-year growth rate of the second, the third and the fourth quarters was 0.4%, 3.9% and 2.9% respectively. Since the beginning of 2023, China's economy has shown a trend of stabilization and resilience. In the first quarter of 2023, GDP grew by 4.5% year-on-year to about RMB28,499.7 billion.

In 2022, the overall consumer price index ("**CPI**") increased by 2.0% compared to last year, of which the food CPI increased by 2.8%. The pork CPI decreased by 6.8%, resulting in a decrease of meat CPI by 4.3%. The non-food CPI was up by 1.8%. In the first quarter of 2023, prices remained stable, CPI increased by 1.3% year-on-year and the food CPI increased by 3.7%. Pork CPI increased by 8.5%, resulting in an increase of meat CPI by 4.4%. The non-food CPI was up by 0.7%.

In 2022, China's total retail sales of consumer goods amounted to RMB43,973.3 billion, representing a decrease of 0.2% over the past year. The national online retail sales reached RMB13,785.3 billion, representing an increase of 4.0% over the past year. Among which the online retail sales of physical goods amounted to RMB11,964.2 billion, representing a year-on-year increase of 6.2% and accounting for 27.2% of the total retail sales of consumer goods. Since the beginning of 2023, consumption has gradually recovered. In the first quarter of 2023, total retail sales of consumer goods amounted to RMB11,492.2 billion, representing an increase of 5.8% compared to the first quarter of 2022. The online retail sales of physical goods reached RMB2,783.5 billion, representing an increase of 7.3% year-on-year and accounting for 24.2% of the total retail sales of consumer goods. Despite the general rebound in domestic consumption and gradual restoration of market confidence, the retail industry is still under pressure due to the recovery of consumer sales offline and omni-channel competition.

Developed research and development ("R&D") capabilities for differentiated products and lay the foundation for future differentiated products based on quality-price ratio, health and happiness.

In fiscal year 2023, the Group accelerated category expansion, product de-homogenization and established a fully organized PL team. In the fourth quarter of the fiscal year, the sales of differentiated products ranked first among products of the same category.

In fiscal year 2024, the Group will prioritize product differentiation as its primary strategy. The Group will continuously expand trended categories, improve entire supply chain efficiency, and create competitiveness in quality and price of core categories. The Group will also strengthen R&D of PL products to enhance overall product differentiation, aiming to provide healthy and enjoyable shopping experience with high value for target customers.

Became offline experience centers, and accelerated the remodeling version 2.0 nationwide.

During the reporting period, the Group remodeled more than 80 stores. The hypermarket remodeling version 2.0 validated the value of RT-Mart's "shopping". The Group continued to optimize the tenant structure of galleries and reduced vacancy rates, with the proportion of traffic-generated tenants, such as restaurants and neighbourhood-like services, accounting for nearly 40% of the total number of tenants. The vacancy rate was kept within 5%.

In fiscal year 2024, the Group will focus on the offline demands of "three generation families" to create pleasant scenes, experiences and attentive services that can be replicated more efficiently and quickly nationwide. The Group will accelerate the restructuring of its tenants mix and promote better synergies with hypermarkets in all aspects to become a community service center.

Became online fulfilment centers, the sustainable growth of online channels became a core competitiveness.

During the reporting period, the B2C revenue increased by approximately 15%, and remained the driver of the revenue growth of the Group. The Daily Order per Store ("**DOPS**") of B2C was nearly 1,300 orders, and the ticket size was approximately RMB75 per order. The profitability of B2C business continued to be optimized.

The Group continued to develop its procurement capabilities for multi-channels and online operations. B2C business continued to grow and has become the Group's core competency. The revenue derived from its own mobile application, RT-Mart Fresh, has increased by nearly 40% compared to the same period last fiscal year. The Group's Taoxianda business, as the core supplier of near-site fresh products for Taobao, continued to grow steadily. Eleme's revenue growth, driven by its ticket size expansion, was up by nearly 20% compared with the same period last fiscal year and its business model has been further improved.

During the reporting period, the Group improved its digital membership capabilities to achieve the member operation in all aspects. In the second half of the fiscal year, the Group's membership system integrated with that of Eleme and Taoxianda, and established content and channels through public platforms such as Douyin, Xiaohongshu, Weibo and Enterprise WeChat. The omni-channel digital membership operation will become an important competitive edge of the RT-Mart.

In fiscal year 2024, the Group will focus on young and middle-aged individuals with children by fully leveraging advantages of its fresh produce and proximity to enhance certainty and stability of its experiences and services. The B2C business will maintain sustainable growth and become a reliable online fulfilment center to meet customers' delivery-to-home needs anytime and anywhere.

Continued to enhance the multi-format development. RT-Super showed positive growth trend. The first membership store focused on member value.

During the reporting period, the Group had 12 RT-Super stores with five new openings during the fiscal year. RT-Super is the low-cost extension of the RT-Mart. During the reporting period, the business model of RT-Super was further developed and its gross cash flow performance of comparable stores continued to improve during the fiscal year. Looking forward, the Group will continue to invest in RT-Super's national roll-out, and focus on dominant regions. RT-Super will fully leverage the advantages of RT-Mart's supply chain and quickly secure a competitive market position to drive medium to long-term growth.

RT-Mini's headquarter was further streamlined into an organization with focus on the Nantong region. During the reporting period, the Group had 84 mini stores with 21 new openings and 40 closures. In the future, RT-Mini will utilize RT-Mart's supply chain resources and gradually develop into a channel for RT-Mart to cover surrounding communities and counties.

During this fiscal year, the Group completed the organizational construction of its membership store, M Club, with its first store in Yangzhou. The Group will continue to invest in M Club. By remodeling an existing hypermarket and leveraging the "big box" advantages of RT-Mart and the resources of the Group's owned properties, M Club will use a brand new supply chain system to develop differentiated products to create value for members.

The large-scale development of fresh product supply chain capabilities.

During this fiscal year, the Group had a total of 14 standard FPPCs, covering most stores nationwide. Among the stores, 100% of the stores and more than half of the stores realized self-operation in vegetables and fruits respectively. Revenue of direct sourcing was about 50%. The operating costs of FPPCs have significantly decreased, effectively reducing the wastage of vegetables and fruits and improving price competitiveness.

The Group will deepen the construction and accelerate the investment in the nationwide roll-out of the fresh product supply chain, and establish full chain solutions for core categories. The aim is to build up customers' mindset for stable quality and competitive prices of fresh products.

In fiscal year 2024, the Group will further strengthen the development of digital capabilities. Through the application of technology, process optimization and organizational innovation, the digital capabilities will be used to drive the improvement of product efficiency, labor efficiency and area efficiency, as well as the optimization of the Group's overall organizational efficiency.

Expansion Status

During the year ended 31 March 2023, the Group opened one hypermarket and five superstores. Among the new hypermarkets and superstores, three were located in Eastern China, one was located in Northern China, one was located in Central China and one was located in Western China. During the reporting period, the Group closed seven stores, one was located in Eastern China, one was located in Southern China, two were located in Central China and three were located in Western China. In addition, two stores were converted from superstores to hypermarkets.

As of 31 March 2023, the Group had a total of 486 hypermarkets, 12 superstores and 84 mini stores. The Group had a total of 14 self-constructed FPPCs across the country. Among them, there were five in Eastern China, two in each of Northern China, Northeastern China, Southern China and Central China, and one in Western China. The total gross floor area ("**GFA**") of hypermarkets and superstores is approximately 13.79 million square meters, of which about 66.2% of the GFA was in leased properties, and 33.8% of the GFA was in self-owned properties. The GFA of mini stores is approximately 18,939 square meters, all of which was in leased properties. Please refer to note 1 below for definitions of regional zones.

As of 31 March 2023, approximately 7.0% of the Group's hypermarkets and superstores were located in first-tier cities, 17.5% in second-tier cities, 48.4% in third-tier cities, 19.5% in fourth-tier cities and 7.6% in fifth-tier cities. Please refer to note 2 below for definitions of city tiers.

As of 31 March 2023, through the execution of lease contracts or acquisition of land plots, the Group identified and secured 22 sites to open hypermarkets, of which three are under construction. At the same time, there were 12 superstores which the Group has signed contracts, of which three are under construction.

	Number of Brick-and-Mortar Stores (As of 31 March 2023)					Total GFA of Brick-and-Mortar Stores (sq.m.) (As of 31 March 2023)				
Region	Hypermarket	Superstore	Mini Store	Total	Percentage	Hypermarket	Superstore	Mini Store	Total	Percentage
Eastern China	185	6	67	258	44%	5,487,957	62,521	14,662	5,565,140	40%
Northern China	52	1	0	53	9%	1,371,352	6,301	0	1,377,653	10%
Northeastern China	54	2	0	56	10%	1,767,034	15,843	0	1,782,877	13%
Southern China	98	0	0	98	17%	2,465,781	0	0	2,465,781	18%
Central China	74	2	17	93	16%	1,935,115	10,038	4,277	1,949,430	14%
Western China	23	1	0	24	4%	659,070	5,790	0	664,860	5%
Total	486	12	84	582	100%	13,686,309	100,493	18,939	13,805,741	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 and Remuneration Policies

As of 31 March 2023, the Group had 107,785 employees (122,010 as of 31 March 2022). The total employee benefit expense was RMB10,066 million (RMB10,383 million as of 31 March 2022).

It is the Group's policy to recruit and promote individuals based on merit and their development potentials. Remuneration package offered to all employees is determined with reference to their performance, time commitment, responsibilities and the prevailing salary levels in the market.

In addition to salary, the Group also makes contributions to defined contribution retirement plans and Employee Trust Benefit Schemes, respectively. Continuous trainings are provided to the employees.

Outlook

In fiscal year 2024, the Group will focus more on offline target customers, creating shopping experience featuring the customer value of health and pleasure, and becoming an offline experience center, to enable target customers to love life and shopping in RT-Mart. The Group will continuously improve the quality and service certainty and stability, becoming an online fulfillment center to meet the deliver-to-home needs of online users anytime and anywhere. The Group will continue to invest in exploring and developing multiple formats, including M Club's business model, the expansion of RT-Super, and the exploration of RT-Mini, in order to create a second growth curve. At the same time, the Group will continue to extend clean energy utilization, facilitate energy conservation and emission reduction, as well as to adhere to the business philosophy of green operation, responsible procurement and people-oriented, and create value for the sustainable development of the environment and society.

Executive Director

Mr. LIN Xiaohai (林小海), aged 52, is an Executive Director of the Company since 22 December 2020 and has been appointed as the chief executive officer of the Company since 10 May 2021. Mr. Lin also serves as a director in certain subsidiaries of the Company. He is responsible for the Company's daily management, planning and implementing the overall strategies, financial objectives and direction of the Company, and overseeing its business operations. He has served as the vice-president of Alibaba Group Holding Limited ("**Alibaba Group**", a company with its American depositary shares listed on the New York Stock Exchange under the stock code BABA, and its ordinary shares listed on the Stock Exchange under the stock code 09988) and the general manager of Alibaba LST (a shopping platform operated by Alibaba Group) since July 2016. He also has served as the general manager, legal representative and director of Hangzhou Yuanmao E-Commerce Co., Ltd* (杭州源貓電子商務有限公司) (a member of the Alibaba Group) since September 2017.

Before joining the Alibaba Group, Mr. Lin served as the head of market strategy for Greater China from September 2013 to September 2014 and vice-president of sales for Greater China from September 2014 to June 2016 at P&G (China) Marketing Co., Ltd (寶潔(中國)營銷有限公司).

Mr. Lin received a bachelor's degree in chemistry (paper manufacturing) from South China University of Technology in 1994.

Non-Executive Directors

Mr. HUANG Ming-Tuan (黃明端), aged 68, is the chairman of the Board and currently a Non-Executive Director with effect from 10 May 2021. He is responsible for leading and overseeing the performance of duties of the Board, ensuring the effective operation of the Board and the establishment of good corporate governance practices and procedures. Mr. Huang was a Director of the Company during the period from 28 April 2011 to 30 January 2018 and the Chief Executive Officer of the Company during the period from 17 May 2019 to 10 May 2021, and has been appointed as chairman of the Board since 17 October 2020. Mr. Huang has involved in the business and operational strategies of the Company.

Mr. Huang served as a non-independent director and the chairman of the board of Suning.com Group Co., Ltd. (蘇寧易購集團股份有限公司) (a company listed on the Shenzhen Stock Exchange under stock code 002024) from July 2021 to April 2023.

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.

Mr. Huang received a Master of Business Administration from the College of Management, National Taiwan University in 1984.

Mr. HAN Liu (韓鎏), aged 35, has been a Non-Executive Director of the Company since 1 November 2021. In January 2019, Mr. Han was the general manager of the shared retail business unit (共享零售事業部), hyperlocal logistics business unit (同城物流事業部) and supermarket ecological business unit (超市生態事業部) of Alibaba Group. From August 2021 to February 2022, he was the vice president of Intra-city Retail (同城零售). He is the vice president of Local Service Group (本地生活集團) and president of Fengniao Logistic (蜂鳥即配) since March 2022 and a non-executive director of Hangzhou SF Intra-City Industrial Co., Ltd. (a company listed on the Stock Exchange; stock code: 09699) since June 2022.

Mr. Han has over 10 years of experience in logistics and supply chain management. Mr. Han started his career as a senior manager of the warehouse and logistics division of Jingdong E-commerce at JD.com, Inc. (a company both listed on NASDAQ under the stock code JD, and on the Stock Exchange under the stock code 09618) in 2011, and subsequently became a senior manager of the management supervision division in 2014. From 2015 to 2018, Mr. Han joined the JD Logistics Group and served as the general manager of the international supply chain division.

In July 2011, Mr. Han obtained a bachelor's degree in Logistics Engineering and Supply Chain Management from the Tianjin University in the People's Republic of China.

Mr. LIU Peng (劉鵬), aged 47, is a Non-Executive Director of the Company since 3 March 2022. He has over 23 years of extensive management experience in China's retail and online industry. He has joined Alibaba Group since May 2015 and is currently the president of Taobao & Tmall Commercial Group Industrial Development Department II. He also served as a director in several subsidiaries of Alibaba Group.

Prior to joining Alibaba Group, Mr. Liu served as general manager of each of Kunming office and Fuzhou office of Haier Smart Home Co., Ltd. (a company whose shares are listed on the Stock Exchange under the stock code 6690 and the Shanghai Stock Exchange under the stock code 600690) from 1998 to 2007; and served as general manager of the procurement department of Suning.com Group Co., Ltd. ("**Suning. com**", a company whose shares are listed on the Shenzhen Stock Exchange under the stock code 002024) from 2007 to 2011, being responsible for the refrigerator & washing machine business department, TV business department cum key customer department. From 2012 to 2013, he served as vice president of the procurement department of Media Markt (China) under METRO Group. He also served as vice president of Goodbaby China Commercial Co., Ltd. from 2013 to 2015, and the non-independent director of Suning.com from July 2021 to April 2023.

Mr. Liu obtained a bachelor's degree majoring in industrial and foreign trade* (工業外貿) from the School of Economics and Management of Nanjing University of Science and Technology in July 1998 in the People's Republic of China and an Executive Master of Business Administration (EMBA) from the University of International Business and Economics in January 2010 in the People's Republic of China.

Independent Non-Executive Directors

Ms. Karen Yifen CHANG (張挹芬), aged 59, has been an Independent Non-Executive Director of the Company since 27 June 2011.

As a veteran from retail and consumer industry, 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 till March 2022. She was the chief executive officer for Natural Beauty Bio-Technology Limited (a company listed on the Stock Exchange under stock code 157), a leading skincare product company, and the chief financial officer, the chief executive officer, and the executive director of Pou Sheng International (Holdings) Limited (a company listed on the Stock Exchange under stock code 3813), the leading sports retailer in the Greater China 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 D.C. 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's degree in Arts in English Literature from Fu-Jen Catholic University in Taiwan in 1986 and a Master of Business Administration degree from the George Washington University in Washington D.C. in the United States in 1988.

Mr. Dieter YIH (葉禮德) alias YIH Lai Tak, Dieter, aged 60, has been 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 has been an independent non-executive director of China Mengniu Dairy Company Limited (a company listed on the Stock Exchange under stock code 2319) since December 2021.

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, chairman of the Financial Dispute Resolution Centre, a member of each of the University Grants Committee in Hong Kong, the Steering Committee of the Quality Education Fund and the Standing Committee on Legal Education and Training, a non-executive director of eMPF Platform Company Limited and a non-executive director of the Securities and Futures Commission (Commission). He is also a member of the Guangdong Province of the Chinese People's Political Consultative Conference.

Mr. CHAN Charles Sheung Wai (陳尚偉), aged 69, is an Independent Non-Executive Director of the Company since 31 January 2021. Mr. Chan has more than 40 years of experience in corporate finance, financial regulations and risk management. Mr. Chan started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was promoted to partnership in 1988. He subsequently joined the China & Hong Kong office of Arthur Andersen as an audit partner in 1994. From July 2002 to June 2012, Mr. Chan was a partner of the China & Hong Kong office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Hong Kong Stock Exchange from 1998 to 2001 and also as a member of the Election Committee for the first Legislative Council of Hong Kong in 1998. From 1996 to 1999, Mr. Chan was a council member of the Hong Kong Institute of Certified Public Accountants. He also served as a member of the Accounting Standards Committee, Auditing Standards Committee and the chairman of the China Technical Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan has been an independent non-executive director of Maoyan Entertainment (a company listed on the Stock Exchange, stock code: 1896), Hansoh Pharmaceutical Group Company Limited (a company listed on the Stock Exchange, stock code: 3692), Shanghai Bio-heart Biological Tech Co., Ltd. (a company listed on the Stock Exchange under stock code 2185) and an independent director of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (a company listed on the Shenzhen Stock Exchange under stock code 002352) since January 2019, June 2019, December 2021 and December 2022, respectively, and was an independent director of Changyou.com Ltd (a company listed on NASDAQ under the stock code CYOU) between September 2013 and April 2020 and an independent non-executive director of SRE Group Limited (a company listed on the Stock Exchange, stock code: 1207) between July 2012 and Oct 2022.

In May 1977, Mr. Chan obtained a Bachelor of Commerce degree from the University of Manitoba, in Canada. He is a member of both the Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

Senior management

Ms. Desory Yiwen WAN (萬伊文), aged 50, is the Chief Financial Officer of the Company. She received a master degree from Oxford Brookes University, and has extensive experience in financial management and strategic development fields.

Ms. Wan worked in Yum! China, Gensler Design Co., Ltd, C&A China, Yiguo E-Commerce Co., Ltd and Starbucks sequentially, holding positions overseeing overall financial management.

Ms. Wan joined Alibaba Group in September 2019. Since March 2020, Ms. Wan worked in RT-Mart China as the Vice General Manager of Finance department. Since January 2021, Ms. Wan was appointed as Chief Financial Officer of the Group and General Manager of Finance department of RT-Mart China.

In addition to Ms. Desory Yiwen WAN, the Senior management of the Company is composed of Executive Director and Chairman of the Board, namely Mr. LIN Xiaohai and Mr. HUANG Ming-Tuan. Please refer to their biographical details in this section on page 18.

*   *For identification purpose only*

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 March 2023.

Principal Activities

The principal activities of the Group are the operation of brick-and-mortar stores and online sales channels in the PRC. An analysis of the Group's revenue by category is set out in note 5 to the consolidated financial statements on pages 131 to 132.

Financial Statements

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 77.

The financial position of the Group as at 31 March 2023 is set out in the consolidated statement of financial position of the Group on pages 78 to 79. The financial position of the Company as at 31 March 2023 is set out in note 33 to the consolidated financial statements on pages 174 to 175.

The cash flows of the Group for the year ended 31 March 2023 are set out in the consolidated statement of cash flows on pages 82 to 83.

Final Dividend

At the Board meeting held on 16 May 2023 (Tuesday), the Directors proposed that a final dividend ("**Final Dividend**") of HKD0.045 (equivalent to approximately RMB0.040) per ordinary share for the year ended 31 March 2023, amounting to approximately HKD429 million (equivalent to approximately RMB381 million) and it is expected to be paid on 6 September 2023 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 23 August 2023 (Wednesday). 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 16 August 2023 (Wednesday).

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 March 2023 are set out in the consolidated statement of changes in equity on pages 80 to 81 and note 33(a) to the consolidated financial statements.

As at 31 March 2023, the distributable reserves of the Company amounted to RMB52 million, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622).

Fixed Assets

Details of the movements in the fixed assets of the Group during the year ended 31 March 2023 are set out in note 13 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 March 2023, there are 122 and 194 retail galleries classified as investment properties respectively in owned and leased hypermarkets. All of the retail 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 March 2023, the total fair value of such properties was RMB52,335 million, among which, the fair value of investment property was RMB20,810 million.

Details of the fair value of the investment properties as at 31 March 2023 and 2022 and the valuation technique are set out in note 13(a) to the consolidated financial statements.

Donations

Donations made by the Group during the year ended 31 March 2023 was less than RMB1 million (during the year ended 31 March 2022: amounted to RMB1 million).

Share Capital

Details of the movements in share capital of the Company during the year ended 31 March 2023 are set out in note 27(a) 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 2023 AGM

The Company's register of members will be closed from 11 August 2023 (Friday) to 16 August 2023 (Wednesday), both dates inclusive, during which period no transfer of shares will be registered. To ensure that shareholders of the Company are entitled to attend and vote at the 2023 AGM, shareholders of the Company must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 10 August 2023 (Thursday).

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

The proposed Final Dividend is subject to the approval of the shareholders of the Company at the 2023 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 23 August 2023 (Wednesday). Shareholders of the Company must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 23 August 2023 (Wednesday).

Purchase, Sale or Redemption 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 March 2023.

Directors

As at the date of this annual report, the Directors were as follows:

Executive Director:

LIN Xiaohai *(Chief Executive Officer)* (Appointed as Executive Director on 22 December 2020 and as Chief Executive Officer on 10 May 2021)

Non-Executive Directors:

HUANG Ming-Tuan *(Chairman)* (Appointed as Executive Director on 11 December 2019 and appointed as Chairman of the Board on 17 October 2020; redesignated as Non-Executive Director on 10 May 2021)

HAN Liu (Appointed on 1 November 2021)

LIU Peng (Appointed on 3 March 2022)

Independent Non-Executive Directors:

Karen Yifen CHANG (Appointed on 27 June 2011)

Dieter YIH (Appointed on 11 December 2019)

Charles Sheung Wai CHAN (Appointed on 31 January 2021)

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" on pages 18 to 21 of this annual report.

In accordance with the articles of association of the Company (the "**Articles of Association**"), Mr. HUANG Ming-Tuan will retire as Non-Executive Director and Mr. Charles Sheung Wai CHAN will retire as Independent Non-Executive Director. Each of the retiring Directors will offer themselves for re-election at the 2023 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 March 2023 up to the date of this annual 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 (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 ended 31 March 2023 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 17 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 48 to 52 of this annual report.

Particulars of important events affecting the Company that have occurred since the end of the year ended 31 March 2023, 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 6 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 page 31 (paragraph "Employees and Remuneration Policies") and page 46 (paragraph "Major Customers and Suppliers") of this annual report.

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 47 (paragraph "Environmental and Social Responsibilities") in this annual report.

Permitted Indemnity

Pursuant to the 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 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 is appointed for a specific term of three years and shall be subject to retirement provisions stipulated in the 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.

During the year ended 31 March 2023, the appointment letter of Mr. Dieter YIH as Independent Non-Executive Director has expired on 10 December 2022. With the recommendation of the Nomination Committee and Remuneration Committee and approval of the Directors, the Company has renewed the appointment letter with Mr. Dieter YIH as Independent Non-Executive Director on the same terms and conditions for another 3 years effective from 11 December 2022 to 10 December 2025.

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2023.

Directors' Interests in Transactions, Arrangements or Contracts

Other than those transactions disclosed in note 32 to the consolidated financial statements and in the section headed "Continuing 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 ended 31 March 2023.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and any Associated Corporations

As at 31 March 2023, the interest or short position of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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/ underlying shares held(1)	Approximate percentage shareholding of the relevant entity
HUANG Ming-Tuan	The Company	Interest of spouse(2)	68,334,202 (L)	0.71%
LIN Xiaohai	Alibaba Group(3)	Beneficial owner	439,352 (L)(4)	0.00%
HAN Liu	Alibaba Group	Beneficial owner	212,464 (L)(5)	0.00%
LIU Peng	Alibaba Group	Beneficial owner	383,800 (L)(6)	0.00%
Charles Sheung Wai CHAN	Alibaba Group	Beneficial owner	13,128 (L)	0.00%

Notes:

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

(2) Ms. LEE Chih-Lan is the spouse of Mr. HUANG Ming-Tuan. Ms. LEE Chih-Lan holds 66,782,964 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.

(3) Alibaba Group is a company incorporated in the Cayman Islands with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange, stock symbol BABA, and its ordinary shares listed on the main board of The Stock Exchange of Hong Kong Limited, stock code 9988. Taobao China is a company incorporated in Hong Kong and a wholly-owned subsidiary of Alibaba Group, therefore Alibaba Group is deemed to be interested in all the shares in which Taobao China is interested in by virtue of Part XV of the SFO.

(4) It represents 283,352 ordinary shares (American Depositary Shares ("**ADS**")) and 156,000 Restricted Share Units ("**RSU**") in the number of ordinary shares of Alibaba Group beneficially held by Mr. LIN Xiaohai.

(5) It represents 107,464 ordinary shares (ADS) and 105,000 RSU in the number of ordinary shares of Alibaba Group beneficially held by Mr. HAN Liu.

(6) It represents 383,800 RSU in the number of ordinary shares of Alibaba Group beneficially held by Mr. LIU Peng.

Save as disclosed above, so far as known to any Directors, as at 31 March 2023, none of the Directors or chief executives of the Company or any of their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as defined in Part XV of the SFO, which were required to be recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors or chief executives to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debt Securities

At no time during the year ended 31 March 2023 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 ended 31 March 2023, 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.

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 March 2023, 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	4,419,731,966 (L)[7]	46.33%
Taobao China[3]	Interest in a controlled corporation	4,419,731,966 (L)[7]	46.33%
Taobao China[3]	Beneficial owner	2,607,565,384 (L)	27.33%
Taobao Holding Limited[4] ("**Taobao Holding**")	Interest in a controlled corporation	7,027,297,350 (L)	73.66%
New Retail Strategic Opportunities Investments 1 Limited[5] ("**New Retail**")	Beneficial owner	480,369,231 (L)[8]	5.04%
New Retail Strategic Opportunities Fund, L.P.[5]	Interest in a controlled corporation	480,369,231 (L)[8]	5.04%
New Retail Strategic Opportunities Fund GP, L.P.[5]	Interest in a controlled corporation	480,369,231 (L)[8]	5.04%
New Retail Strategic Opportunities GP Limited[5]	Interest in a controlled corporations	480,369,231 (L)[8]	5.04%
Alibaba Investment Limited[5]	Interest in a controlled corporation	480,369,231 (L)[8]	5.04%
Alibaba Group[6]	Interest in a controlled corporation	7,507,666,581 (L)	78.70%

Notes:

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

(2) A-RT is directly owned by Taobao China as to 100% interest, therefore Taobao China is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.

(3) 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. As at 31 March 2023, Taobao Holding held an aggregated long interest of 73.66% in the Company, of which Taobao China directly held 2,607,565,384 shares, constituting 27.33% interest in the Company.

(4) 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.

(5) New Retail Strategic Opportunities GP Limited is the general partner of New Retail Strategic Opportunities Fund GP, L.P., which in turn is the general partner of New Retail Strategic Opportunities Fund, L.P. New Retail is an investment vehicle wholly-owned by New Retail Strategic Opportunities Fund, L.P. Therefore, New Retail Strategic Opportunities GP Limited is deemed to be interested in all the shares in which New Retail is interested by virtue of Part XV of the SFO. New Retail Strategic Opportunities GP Limited is directly wholly-owned by Alibaba Investment Limited (which in turn is directly wholly-owned by Alibaba Group). Therefore, Alibaba Investment Limited is deemed to be interested in all the shares in which New Retail is interested by virtue of Part XV of the SFO.

(6) Alibaba Group is a company incorporated in the Cayman Islands and its American depositary shares and ordinary shares are listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited, respectively. Each of Taobao Holding and Alibaba Investment Limited is directly wholly-owned 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.

(7) Such 4,419,731,966 shares belong to the same batch of shares.

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

Save as disclosed above, as at 31 March 2023, 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 were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

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 10 and 7(a) respectively to the consolidated financial statements.

For the year ended 31 March 2023, the remuneration of the senior management whose profiles are included in the "Profiles of Directors and Senior Management" section of this annual report fell within the following bands:

Remuneration Bands	Number of Individuals
HKD1 – HKD10,000,000	2
HKD10,000,001 – HKD15,000,000	0
HKD15,000,001 – HKD20,000,000	0

Employees and Remuneration Policies

As at 31 March 2023, the Group had 107,785 employees (122,010 as at 31 March 2022). The total employee benefit expense was RMB10,066 million (RMB10,383 million as at 31 March 2022).

The Group's policy is to recruit and promote individuals based on merit and their development potentials. Remuneration package offered to all employees and director is determined with reference to their performance, time commitment, responsibilities and the prevailing salary levels in the market.

In addition to salary, the Group also makes contributions to defined contribution retirement plans and Employee Trust Benefit Schemes, respectively. Continuous training is provided to the employees.

Retirement/Pension Schemes

Details of the retirement benefit schemes of the Group are set out in note 7(a) to the consolidated financial statements.

Share Scheme

Employee Trust Benefit Schemes ("ETBS") *(Note 1)*

The subsidiaries of the Company, namely Concord Investment (China) Co., Ltd. ("**CIC**") and its subsidiaries has established an employee trust benefit scheme for its employees ("**the RT-Mart Scheme**") and, Auchan (China) Hong Kong Limited ("**ACHK**") and its subsidiaries has established an employee trust benefit scheme for its employees ("**the Auchan Scheme**"). Under each ETBS, an annual profit sharing contribution from each of CIC and ACHK, 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 (Note 2).

In addition to the annual profit-sharing contributions made by each of CIC and ACHK (Note 3a and 3b), subject to certain conditions, eligible employees are entitled to acquire additional beneficial interests in the relevant Employee Trust Benefit Schemes, i.e. Trust Units using their own funds ("**Employee's Contribution**") (Note 3c).

Any excess of the capital injected by the trusts to CIC or Auchan (China) Investment Co., Ltd. ("**ACI**") over the attributable share of their consolidated net assets acquired is credited to capital reserve within equity of the Group (Note 4).

Calculated based on paid-in capital, as at 31 March 2023, approximately 1.38% of the equity interests in ACI and approximately 3.13% of the equity interests in CIC were held by the respective trusts under the Auchan Scheme and the RT-Mart Scheme.

Details of the ETBS are set out in the note 7(a) to the consolidated financial statements.

Notes:

1. The Auchan Scheme and the RT-Mart Scheme are both share award schemes at the subsidiary level, they were not subject to the requirements of Chapter 17 of the Listing Rules prior to the amendments which took effect from 1 January 2023 and is not a share-based compensation under IFRS2. In view of the recent amendments to the Chapter 17 of the Listing Rules, the Board is considering to amend the terms of the RT-Mart Scheme and the Auchan Scheme to comply with the revised requirements of the Listing Rules. The Group will not grant any further awards pursuant to the ETBS unless and until shareholders' approval for such amendments required under the latest Chapter 17 of the Listing Rules have taken effect.

2. The Auchan Scheme and the RT-Mart Scheme are each implemented by way of a trust arrangement, whereby the trustee holds equity interest in the principal operating subsidiaries in the PRC, namely ACI or CIC, as the case may be, on behalf of the respective employees being the beneficiaries of the respective trust. The trustee for the Auchan Scheme and the RT-Mart Scheme is Hwabao Trust Co., Ltd. (the "**Trustee**"), a company incorporated in the PRC and is an independent third party of the Group.

   Decisions in respect of the Auchan Scheme and the RT-Mart Scheme are made by their respective management committees and independently of the Company. The composition of the management committees of both the Auchan Scheme and the RT-Mart Scheme are identical where each consist of six executive-level employees of the Group and six employees' representatives of each of the ACI Group and CIC Group (as the case may be) who are elected by the employees, and the Company has no control over the management committees.

   The management committees are mandated to exercise the following powers, among others, to (i) supervise how the trust manages its assets and determine the ratio of the Cash Portion (as defined below) to the Share Portion (as defined below) within its portfolio of trust assets; (ii) whether to dispose the equity interest in ACI or CIC invested by the trust; (iii) determine the timetable for employees to make elections whether to subscribe for and/or dispose of the Trust Units and the date which Trust Units transactions (i.e. subscription for and disposal of Trust Units) take place. Based on the composition of the management committees as outlined above, resolutions of the management committees could only be passed with the support of the majority of the members of the committees.

   All trust assets (including the Share Portion (as defined below) and Cash Portion (as defined below)) are held by the Trustee for the benefit of the holders of the Trust Units which are employees of Group in accordance with the rules of ETBS. As such, the trust assets are not assets of the Company and the Company is not entitled to use trust assets to offset any of the Company's debts. The Company is also under no obligation to assume any debts of the trusts nor to repurchase shares held by the Trustee.

3. a. For all employees who are eligible to participate in the ETBS Schemes ("**Scheme Participants**" or "**General Employees**"), CIC Group and ACI Group will each make cash payments on behalf of the eligible employees for their relevant employer's contribution to the trust (the "**Employer's Contribution**").

   b. For managerial employees with a rank of store manager or above ("**Managerial Employees**"), on top of the Employer's Contribution, CIC Group and ACI Group, will make further cash payment to the trust on behalf of Managerial Employees as retirement benefits ("**Retirement Saving Contribution**") as additional incentive.

   c. Trust units ("**Trust Units**") are allocated to the employees based on the contributions made by CIC/ACI (for and on behalf of the employees) and the employees (who use their own fund) under the respective terms of the Auchan Scheme and the RT-Mart Scheme.

4. The Trustee manages the funds (which includes Employer's Contribution, Employee's Contribution and Retirement Saving Contribution) in the ETBS by using a portion of the funds to hold cash and invest in cash equivalents (the "**Cash Portion**"), and using the remaining funds to purchase equity interests (the "**Share Portion**") in ACI or CIC, as the case may be, in accordance with the terms of the Auchan Scheme and the RT-Mart Scheme.

A summary of the principal terms of the Auchan Scheme and the RT-Mart Scheme is set out below.

The purpose of the RT-Mart Scheme and the Auchan Scheme is to align the interests of the Group and the employees and for the retention of the employees to realize the long-term growth and profits of the Group.

Eligible Participants

All employees of the ACI Group who have been employed by the ACI Group for 6 months or more are eligible to participate in the Auchan Scheme while all employees of the CIC Group who have been employed by the CIC Group for 6 months or more are eligible to participate in the RT-Mart Scheme.

Maximum of Amount of Contribution can be Injected to ACI or CIC and Maximum Entitlement of each Participant

The amount of Employer's Contributions to each of the employees is determined in accordance with the requirements under the Auchan Scheme and the RT-Mart Scheme which takes into account the net profits after tax of CIC and ACI, respectively, and the aggregate amount of Employer's Contribution per annum shall not exceed 10% of the net profits after tax of CIC and ACI of the corresponding financial year, respectively. Any such amount granted to eligible employees must be used to purchase the Trust Units under the respective Auchan Scheme and RT-Mart Scheme. The amount of Employee's Contribution is determined by the individual employee subject to a maximum cap of 30% of the relevant employee's total income of the relevant year. The aggregate amount of Retirement Saving Contribution per annum shall not exceed 4% of the net profits after tax of CIC and ACI of the corresponding financial year, respectively. The Trustee's maximum equity interest in respect of all contributions made in respect of all contributions shall be capped at 15% of the total capital contributions of ACI or CIC.

Freeze Period (Employer's Contribution)

The ETBS do not currently provide a specific vesting period which Trust Units are immediately vested on the date of grant. For General Employees, he or she may not dispose of the Trust Units funded by or acquired through the Employer's Contribution for a period of five (5) years from the date of grant, save for certain circumstances as prescribed in the terms of the Auchan Scheme and the RT-Mart Scheme (e.g. death or serious injury of employees). If a General Employee ends his or her employment relationship with the Group and therefore ceases to be an eligible participant of the ETBS, the Trust Units:–

– will be disposed at fair value at the next annual transaction window, if the Freeze Period has expired for the relevant Trust Units;

– will be disposed at the original purchase price at the next annual transaction window, if Freeze Period has not expired and the employee has held the relevant Trust Units for a year or more;

– will be disposed at nil consideration at the next annual transaction window, being returned to the Trust which will then make them available for subscription by existing participants of the ETBS, if the Freeze Period has not expired and the employee has held the relevant Trust Units for less than a year.

Freeze Period (Employees' Contribution)

The ETBS do not currently provide a specific vesting period and the Trust Units are immediately vested on the date of grant. Employees' Contribution is also not subject to any specific freeze period pursuant to the scheme rules. However, a participant may only dispose of his or her Trust Units once every year at a time designated by the management committees of the ETBS.

Lock-up Period (Retirement Saving Contribution)

Managerial Employees are restricted from disposing of his or her Trust Units with respect to the portion of Retirement Saving Contribution for a period of twenty-five (25) years from the date of grant unless he or she has attained the statutory retirement age and completed all necessary statutory procedures.

For Managerial Employees who leave the ACI Group/CIC Group before the expiry of 25 years of lock-up period, their Trust Units with respect to the portion of Retirement Saving Contribution will be forfeited and the relevant Employer's Contribution will form part of the pool of trust assets and shared by other holders of Trust Units. For the avoidance of doubt, once the Employer's Contribution is made to the Auchan Scheme and RT-Mart Scheme, it becomes the trust assets of the ETBS Schemes and will not be refunded to any member of the Group under any circumstances.

Basis of Determining the Purchase Price of the Trust Units

The value of the Trust Units is assessed every year to determine the price of which the employees would subscribe for, or dispose of, the Trust Units. The value of the Share Portion of each Trust Unit is determined based on the business growth rate of ACI or CIC (as the case may be) by reference to the annual appraisal reports of ACI or CIC (as the case may be) which are prepared by an independent expert and are reviewed by another independent expert.

Life of the existing Auchan Scheme and RT-Mart Scheme

The current Auchan Scheme and RT-Mart Scheme do not have a specified term of life.

As both ETBS were adopted prior to the latest amendments to Chapter 17 of the Listing Rules, the Board is considering to amend the terms of the RT-Mart Scheme and the Auchan Scheme to comply with the latest requirements of Chapter 17 of the Listing Rules.

Grants of Trust Units pursuant to the Auchan Scheme and the RT-Mart Scheme

The tables below show details of the Trust Units granted during the Reporting Period under each of the Auchan Scheme and the RT-Mart Scheme. As at 31 March 2023, 1,053,637.61 and 369,949 Trust Units had been granted to 13,057 and 93,756 selected participants under the Auchan Scheme and the RT-Mart Scheme, respectively.

Auchan Scheme

Name or category of grantees	Date of grant	Vesting period[1]	Purchase price of the Trust Units (RMB/ Trust Unit)	Performance target	Fair value of the Trust Units on the date of grant[2] (RMB/ Trust Unit)	Unvested Trust Units as at 1 April 2022[1]	Trust Units which are subject to Freeze Period/Lock-Up Period as at 1 April 2022	Number of Trust Units granted during the Reporting Period[1]	Trust Units Vested during the Reporting Period[1]	Trust Units which cease to subject to Freeze Period/Lock-Up Period during the Reporting Period	Trust Units Cancelled/ Forfeited/ Lapsed during the Reporting Period	Trusts Units which have been transferred to the settlor and subsequently extinguished	Unvested Trust Units as at 31 March 2023[1]	Trust Units which are subject to Freeze Period/Lock-Up Period as at 31 March 2023
Five highest paid employees in the Auchan Scheme in aggregate	25/9/2022	N/A (See disclosure on freeze period and lock-up period above)	RMB17.08 per Trust Unit	N/A	RMB17.08 per Trust Unit	N/A	106,702.21	15,027.33	N/A	0	476.77	0	N/A	121,252.77
13,052 Other grantees – Employees for the Auchan Scheme in aggregate	25/9/2022	N/A (See disclosure on freeze period and lock-up period above)	RMB17.08 per Trust Unit	N/A	RMB17.08 per Trust Unit	N/A	1,702,079.2	1,038,610.28	N/A	10,727.42	135,274.64	33,545.06	N/A	2,561,142.36
Sub-total														
13,057	25/9/2022	N/A	RMB17.08 per Trust Unit	N/A	RMB17.08 per Trust Unit	N/A	1,808,781.41	1,053,637.61	N/A	10,727.42	135,751.41	33,545.06	N/A	2,682,395.13

Note:

(1) Please refer to the above disclosure in relation to vesting period and freeze period and lock-up period. The ETBS do not provide a vesting period.

(2) The fair value of Trust Units is determined by reference to the annual appraisal reports of ACI which is prepared by an independent expert and be reviewed by another independent expert.

RT-Mart Scheme

Name or category of grantees	Date of grant	Vesting period[1]	Purchase price of the Trust Units (RMB/ Trust Unit)	Performance target	Fair value of the Trust Units on the date of grant[2] (RMB/ Trust Unit)	Unvested Trust Units as at 1 April 2022[1]	Trust Units which are subject to Freeze Period/Lock-Up Period as at 1 April 2022	Number of Trust Units granted during the Reporting Period[1]	Trust Units Vested during the Reporting Period[1]	Trust Units which cease to subject to Freeze Period/Lock-Up Period during the Reporting Period	Trust Units Cancelled/ Forfeited/ Lapsed during the Reporting Period	Trusts Units which have been transferred to the settlor and subsequently extinguished	Unvested Trust Units as at 31 March 2023[1]	Trust Units which are subject to Freeze Period/Lock-Up Period as at 31 March 2023
Five highest paid employees in the RT-Mart Scheme in aggregate	25/9/2022	N/A (See disclosure on freeze period and lock-up period above)	RMB243.53 per Trust Unit	N/A	RMB243.53 per Trust Unit	N/A	3,724	123	N/A	273	1,640	0	N/A	1,934
93,751 Other grantees – Employees for the RT-Mart Scheme in aggregate	25/9/2022	N/A (See disclosure on freeze period and lock-up period above)	RMB243.53 per Trust Unit	N/A	RMB243.53 per Trust Unit	N/A	5,629,797	369,826	N/A	57,400	1,052,724	48,400	N/A	4,841,099
Sub-total 93,756	25/9/2022	N/A	RMB243.53 per Trust Unit	N/A	RMB243.53 per Trust Unit	N/A	5,633,521	369,949	N/A	57,673	1,054,364	48,400	N/A	4,843,033

Note:

(1) Please refer to the above disclosure in relation to vesting period, freeze period and lock-up period. The ETBS do not provide a vesting period.

(2) The fair value of Trust Units is determined by reference to the annual appraisal reports of CIC which is prepared by an independent expert and be reviewed by another independent expert.

During the Reporting Period, the Company did not make any grants of options or awards under the ETBS to the directors and/or chief executives of the Company.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following continuing connected transactions for the year ended 31 March 2023:

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 March 2023.

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:

1. ***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 ("**2019 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 and also the transfer of certain employees to the Company or its affiliates (pursuant to which the Company agreed to reimburse for salaries and benefits paid to such transferred employees). Pursuant to the 2019 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 2019 Master Purchase Agreement has an original term from 1 January 2019 to 31 December 2021 and has been subsequent being replaced by the 2021 Master Purchase Agreement (please refer to the below regarding further details of the 2021 Master Purchase Agreement).

   On 14 August 2019, the Company and Taobao China entered into a master purchase agreement addendum ("**Purchase Addendum**") as a supplemental agreement to the 2019 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**").

To continue the business transactions contemplated under the 2019 Master Purchase Agreement and the Purchase Addendum, and for the purpose of aligning the annual caps under the category of "Purchase of goods and services by the Group from Alibaba Group" with the financial year end of the Group, the Company and Taobao China entered into a master purchase agreement on 7 June 2021 ("**2021 Master Purchase Agreement**"). Pursuant to the 2021 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 2021 Master Purchase Agreement commenced on 7 June 2021 and shall expire on 31 March 2024.

The purchase price for the relevant products and/or relevant services payable by the Group will be determined at the time of the particular purchase based on arm's length negotiations with due regards to (i) the purchase price charged for the same category of products and/or services as the relevant products and/or relevant services offered by independent suppliers at the time of a particular transaction; (ii) the gross profit margin expected by the Group in respect of the relevant products and/or relevant services of the same categories; and (iii) the price of the same relevant products and/or relevant services generally offered on the market by independent third parties.

Pursuant to the 2021 Master Purchase Agreement, with effect from 7 June 2021, the parties agreed that the subsisting underlying purchase agreements that used to be governed by the 2019 Master Purchase Agreement shall instead be governed by and subject to the 2021 Master Purchase Agreement and the annual caps of the subsisting underlying purchase agreements have been incorporated into the annual caps of the 2021 Master Purchase Agreement.

For further details of the 2019 Master Purchase Agreement (as amended by the Purchase Addendum) and the 2021 Master Purchase Agreement, please refer to the announcements of the Company dated 12 April 2019, 14 August 2019 and 7 June 2021.

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

The annual caps of the category of "Purchase of goods and services by the Group from Alibaba Group" for the years ended 31 March 2022 and 31 March 2023, and for the year ending 31 March 2024 are RMB1,500,000,000 and RMB1,800,000,000 and RMB2,100,000,000 respectively, while the actual transaction amount for the year ended 31 March 2023 was approximately RMB298.3 million (2022: approximately RMB324.4 million).

2. *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 ("**2019 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 2019 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 2019 Master Supply Agreement has an initial term from 1 January 2019 to 31 December 2021 and has been subsequently replaced by the 2021 Master Supply Agreement (please refer to the below regarding further details of the 2021 Master Supply Agreement).

On 14 August 2019, the Company and Taobao China entered into the master supply agreement addendum ("**Supply Addendum**") as a supplemental agreement to the 2019 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**").

To continue the business transactions contemplated under the 2019 Master Supply Agreement and the Supply Addendum, and for the purpose of aligning the annual caps under the category of "Sale of goods and services by the Group to Alibaba Group" with the financial year end of the Group, the Group and Taobao China (on behalf of and together with Alibaba Group Holding Limited and its subsidiaries and affiliates ("**Alibaba Affiliates**") have entered into the 2021 Master Supply Agreement on 22 June 2021 ("**2021 Master Supply Agreement**"), pursuant to which the Group will supply the relevant supply products and services to Alibaba Affiliates. Separate underlying agreements will be entered into between relevant parties of the Group and Taobao China. The 2021 Master Supply Agreement and its annual caps were approved by the shareholders at the extraordinary general meeting held on 24 September 2021. The term of the 2021 Master Supply Agreement commenced on 24 September 2021 and shall expire on 31 March 2024.

The selling price for the relevant supply products and/or 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 supply products and/or services of the same categories; and (iii) the price of products and services of the same categories as the relevant supply products and/or services generally offered on the market by independent third parties.

Pursuant to the 2021 Master Supply Agreement, with effect from the effective date of the 2021 Master Supply Agreement (i.e. 24 September 2021), the parties agreed that the subsisting underlying supply agreements that used to be governed by the 2019 Master Supply Agreement shall instead be governed by and subject to the 2021 Master Supply Agreement and the annual caps of the subsisting underlying supply agreements have been incorporated into the annual caps of the 2021 Master Supply Agreement.

For further details of the 2019 Master Supply Agreement (as amended by the Supply Addendum) and the 2021 Master Supply Agreement, please refer to the announcements of the Company dated 12 April 2019, 14 August 2019, 20 August 2019, 22 June 2021 and the circulars dated 10 September 2019 and 7 September 2021.

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 caps under the category of the "Sale of goods and services by the Group from Alibaba Group"

The annual caps of the category of "Sale of goods and services by the Group to Alibaba Group" for the years ended 31 March 2022 and 31 March 2023 and for the year ending 31 March 2024 are RMB18,000,000,000 and RMB25,300,000,000 and RMB35,000,000,000, respectively, while the actual transaction amount for the year ended 31 March 2023 was approximately RMB3,339.8 million (2022: approximately RMB6,339.5 million).

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

Master Business Cooperation Agreement

In view of the increasing business cooperation transactions with Alibaba Affiliates, and for the purpose of better governing the conduct of the continuing connected transactions in this respect between the Group and Alibaba Affiliates going forward, the Company and Taobao China have entered into the 2021 Master Business Cooperation Agreement on 22 June 2021 ("**2021 Master Business Cooperation Agreement**"), pursuant to which the Group and Alibaba Affiliates will undertake the relevant cooperation. The 2021 Master Business Cooperation Agreement and its annual caps were approved by the shareholders at the extraordinary general meeting held on 24 September 2021. The 2021 Master Business Cooperation Agreement commenced on 24 September 2021 and shall expire on 31 March 2024.

The consideration for the relevant cooperation with the cooperating partner(s) is determined at the time of the particular cooperation based on arm's length negotiation with due regards to (i) the price charged for the same category of services as the relevant cooperation offered by independent third party service providers at the time of a particular transaction; and (ii) the price of identical or similar relevant cooperation generally offered on the market by independent third parties.

Following the entering into of the 2021 Master Business Cooperation Agreement, with effect from the effective date of the 2021 Mater Business Cooperation Agreement (i.e. 24 September 2021), the connected transactions under the category of "Business Cooperation between the Group and Alibaba Affiliates" will be primarily governed by the 2021 Master Business Cooperation Agreement, which sets out the principal framework between the Group and Alibaba Affiliates. For the purpose of Rule 14A.81 of the Listing Rules, this category will include the then existing business cooperation agreements.

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.

For further details of the 2021 Master Business Cooperation Agreement, please refer to the announcement of the Company dated 22 June 2021, and the circular of the Company dated 7 September 2021.

Annual caps under the category of the "Business Cooperation between the Group and Alibaba Affiliates"

The annual caps of the category of "Business Cooperation between the Group and Alibaba Affiliates" for the years ended 31 March 2022 and 31 March 2023 and the year ending 31 March 2024 are RMB7,800,000,000 and RMB12,400,000,000 and RMB17,000,000,000, respectively, while the actual transaction amount of the year ended 31 March 2023 was approximately RMB2,651.1 million (2022: approximately RMB1,928.2 million).

4. Master Technical Services Agreement

On 10 June 2020, the Company (on behalf of and together with its subsidiaries) entered into a master technical services agreement ("**2020 Master Technical Services Agreement**") with Taobao China (on behalf of and together with the Alibaba Affiliates) and Alipay (China) Network Technology Co., Ltd ("**Alipay China**"), pursuant to which the Group agreed to purchase certain technical services ("**Relevant Technical Services**") from Taobao China and Alipay China. The Relevant Technical Services include a wide range of services related to the technology, internet, telecommunication and media, including:

(i) cooperating online purchase and e-commerce services;

(ii) providing payment solution services to facilitate payment between third party and the Group;

(iii) opening account on online platform (active flow of news and promotional content); (iv) renting general network facilities and services; (v) renting IT facilities and technology such as data centres and server facilities for the computer processing and cloud storage of the Group, 4G network and automated cashier; and (vi) any other technical services as may be confirmed and agreed by (i) the Group and (ii) Taobao China and the Alibaba Affiliates (the "**Taobao China Group**") and/or Alipay China and its subsidiaries and affiliates (the "**Alipay China Group**") (as the case may be) in writing from time to time. The 2020 Master Technical Services Agreement has an original term from 10 June 2020 to 31 December 2021 and has been subsequent being replaced by the 2021 Master Technical Services Agreement (please referred to the below regarding further details of the 2021 Master Technical Services Agreement).

To continue the business transactions contemplated under the 2020 Master Technical Services Agreement and for the purpose of aligning the annual caps under the category of "Technical services between the Group and Alibaba Group", the Company, Taobao China and Alipay China have entered into the 2021 master technical services agreement under the category of Technical Services on 16 June 2021 ("**2021 Master Technical Services Agreement**"). Pursuant to the 2021 Master Technical Services Agreement, separate underlying agreements will be entered into between relevant parties of the Group and the Taobao China Group and/or the Alipay Group (as the case may be) setting out the precise terms and conditions of the purchase of the relevant products and services. The term of the 2021 Master Technical Services Agreement commenced on 16 June 2021 and shall expire on 31 March 2024.

The purchase price for the relevant technical services purchased from the relevant Taobao China Group and/or the relevant Alipay China Group (as the case may be) will be determined at the time of the particular purchase based on arm's length negotiation with due regards to (i) the purchase price charged for the same category of services as the relevant technical services offered by independent suppliers at the time of a particular transaction; and (ii) the price of the identical or similar relevant technical services generally offered on the market by independent third parties. The purchase price for the relevant technical services may be in the form of software service charges, information service fees, delivery charges, rent, deposits, transaction processing charges and any other forms as agreed between (i) the Group and (ii) the Taobao China Group and/or the Alipay China Group (as the case may be) in writing from time to time.

Pursuant to the 2021 Master Technical Services Agreement, with effect from 16 June 2021, the parties agreed that the subsisting underlying technical services agreements that used to be governed by the 2019 Master Technical Services Agreement shall instead be governed by and subject to the 2021 Master Technical Services Agreement and the annual caps of the subsisting underlying technical services agreements have been incorporated into the annual caps of the 2021 Master Technical Services Agreement.

For further details of the 2020 and 2021 Master Technical Services Agreements, please refer to the announcements of the Company dated 10 June 2020 and 16 June 2021.

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. Members of Taobao China Group are associate of Alibaba and therefore are connected persons of the Company.

Alipay China is a subsidiary of Ant Group and Alibaba owns approximately 33% of the shares in Ant Group. Therefore, Alipay is an associate of Taobao China and a connected person of the Company.

Annual caps under the category of "Technical services between the Group and Alibaba Group"

The annual caps of "Technical services between the Group and Alibaba Group" for the years ended 31 March 2022 and 31 March 2023 and the year ending 31 March 2024 are RMB320,000,000, RMB380,000,000 and RMB420,000,000 respectively, while the actual transaction amount of the year ended 31 March 2023 was approximately RMB35.6 million (2022: approximately RMB37.5 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 38 to 45 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 goods or 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 continuing connected 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 caps.

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 March 2023.

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 March 2023 with the external auditors, PricewaterhouseCoopers, 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

On 10 May 2021, KPMG informed the Company that KPMG would retire as the auditors of the Company with effect from the conclusion of the annual general meeting of the Company held on 12 August 2021 and would not offer themselves for re-appointment as auditors of the Company. On 12 August 2021, PricewaterhouseCoopers ("**PwC**") was appointed as the new auditors of the Company. Save from the above, there have been no other changes of the Company's auditors in the past three years.

The consolidated financial statements for the year ended 31 March 2023 were audited by PwC. A resolution for the re-appointment of PwC as auditor of the Company will be proposed at the forthcoming 2023 AGM.

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 fundamental to our future.

The Company has engaged an external consultant for the preparation of ESG information required as set out in Appendix 27 of the Listing Rules. Detail information on the ESG practices adopted by the Company is set out in the ESG Report which will be published separately.

Events after the Reporting Period

Details of significant events occurring after the balance sheet date are set out in note 35 to the consolidated financial statements.

By order of the Board

LIN Xiaohai
Executive Director
and
Chief Executive Officer

16 May 2023

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 March 2023.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has devised its own Corporate Governance and Compliance Manual which incorporates all the principles and practices as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

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

In the following corporate governance areas, the Company's practices have exceeded the relevant CG Code/Listing Rules requirements:

Corporate Governance Areas	Details of Exceedance
Notice of Regular Board Meetings	The dates for next regular board meetings are usually fixed three months in advance
Number of Regular Audit Committee Meetings	The Company holds four regular Audit Committee meetings each financial year with the auditor of the Company and head of internal audit function, which exceeds the requirement under the CG Code
Model Code Confirmation	Confirmation of Compliance with the Model Code is obtained from each Director and Model Code Manager half-yearly

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 March 2023 and up to the date of this report.

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 March 2023.

DIRECTORS' INSURANCE

As permitted under the Articles of Association, it has been the practice of the Company to arrange Directors' and officers' liability insurance for which members of the Board and officers of the Company do not have to bear any excess.

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 seven Directors, consisting of one Executive Director, three Non-Executive Directors and three Independent Non-Executive Directors.

As at the date of this Annual Report, the composition of the Board is set out below:

Executive Director

LIN Xiaohai, *Chief Executive Officer*

Non-Executive Directors

HUANG Ming-Tuan, *Chairman*
HAN Liu
LIU Peng

Independent Non-Executive Directors

Karen Yifen CHANG
Dieter YIH
Charles Sheung Wai CHAN

On 16 May 2023, there was a change of composition of the Nomination Committee and Remuneration Committee. Mr. HUANG Ming-Tuan, a non-executive Director, has been appointed as a member of each of the Nomination Committee and the Remuneration Committee; and Mr. LIU Peng, a non-executive Director, no longer serves as a member of each of the Nomination Committee and the Remuneration Committee.

The biographical information of the Directors is set out in the section headed "Profiles of Directors and Senior Management" on pages 18 to 21 of this annual report.

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. HUANG Ming-Tuan and Mr. LIN Xiaohai 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 March 2023, 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 one of whom possessing appropriate professional qualifications or accounting or related financial management expertise (currently, two Independent Non-Executive Directors met the aforesaid requirements).

Board Independence

The Company has implementable and effective mechanisms to ensure independent views and input are available to the Board, with the following key features: (i) all Directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management and any director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board; (ii) the Nomination Committee is established with clear terms of reference to identify suitable candidates, including Independent Non-Executive Directors, for appointment as directors; and (iii) the Nomination Committee will assess annually the independence of all Independent Non-Executive Directors. During the year ended 31 March 2023, the Board has reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

Non-Executive Directors and Re-election of Directors

Code provision B.2.2 of the CG Code states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

All Directors of the Company, including Non-Executive Directors, are appointed for a specific term of three years and are 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, financial and environmental, social and governance 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 of 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 March 2023, all Directors namely, Mr. LIN Xiaohai, Mr. HUANG Ming-Tuan, Mr. HAN Liu, Mr. LIU Peng, Ms. Karen Yifen CHANG, Mr. Dieter YIH and Mr. Charles Sheung Wai CHAN, have attended seminars, did self-study and read materials to keep update with information in relation to business, industry, legal and regulatory update and ESG management.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination 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.

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 March 2023, the Audit Committee held four meetings to review the annual and interim financial results and reports for the year ended 31 March 2022, for the six months ended 30 September 2022 and for the year ended 31 March 2023 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 without the presence of the Executive Director.

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; any matters in relation to the share scheme as set out in Chapter 17 of the Listing Rules, 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 March 2023, the Remuneration Committee held one meeting 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 and other related matters.

Given the Auchan Scheme and the RT-Mart Scheme were not a "share scheme" under Chapter 17 of the Listing Rules before its amendments which took effect on 1 January 2023, and the grant of the Trust Units was made prior to the amendments to Chapter 17 of the Listing Rules, no meeting was held by the Remuneration Committee to discuss such grant during the reporting period.

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.

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 AGM. The appointment of retiring directors shall be subjected to the approval of shareholder at the AGM.

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

During the year ended 31 March 2023, the Nomination Committee held one meeting and performed the following major tasks:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;

- Recommendation on the re-appointment of the Directors standing for re-election at the 2022 annual general meeting of the Company; and

- Assessment of the independence of the Independent Non-Executive Directors.

Board Diversity Policy

The Company values gender diversity, and has adopted a diversity policy (the "**Board Diversity Policy**"), which sets out the Company's objectives and approach to achieve diversity and strengthen performance of the Board. In assessing the Board composition, the Nomination Committee takes into account various aspects and factors as set out in the Board Diversity Policy, including but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee discusses and agrees on measurable objectives for achieving diversity on the Board, where necessary, and recommends them to the Board for adoption.

As of the date of this annual report, there are seven Directors, including one female Director. One-third of the senior management is female. As of 31 March 2023, the Group achieved a gender-balanced workforce (including senior management) with a male-to-female ratio of approximately 0.5:1. Under the Board Diversity Policy, the Company aims to maintain at least one female director on the Board. Additionally, the Group will continue to take opportunities to increase the proportion of female board members and workforce over time as and when selecting and making recommendations on suitable candidates as directors and members of the workforce. The Group will also ensure that there is gender diversity when recruiting mid-to-senior level staff, and provide sufficient training and long-term development opportunities to our workforce to develop a pipeline of potential successors to the Board to maintain gender diversity. Further details on the gender diversity of the Group's workforce, together with relevant data can be found in the Environmental, Social and Governance Report of the Company.

During the year ended 31 March 2023, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the Independent Non-Executive Directors and to consider the qualifications of the retiring directors standing for election at the AGM. The Board and the Nomination Committee have reviewed the implementation and effectiveness of the Board Diversity Policy and considered that an appropriate balance of diversity perspectives of the Board is maintained.

ESG Committee

During the reporting period, the Company established an Environmental Social and Governance ("**ESG**") Management Committee (the "**ESG Committee**") and has approved its written terms in August 2022 in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange and other applicable rules. The ESG Committee is a three level governance structure with clearly assigned duties to assist the Board in managing the ESG risks. The Board is the highest body responsible for leading and monitoring the Company's ESG strategies and risks, approving ESG targets and reports, and regularly reviewing and constantly supervising the progress of ESG targets. ESG Management Committee and ESG Working Group are set under the Board. ESG Management Committee is responsible for ESG implementation and reporting, as well as overseeing the specific delivery from ESG Working Group. For details, please refer to the ESG's terms of reference at the Company's website (https://www.sunartretail.com/en/about/cg/esgmanagementcommittee.pdf).

During the year ended 31 March 2023, the ESG Committee had three times reported to the Board the progress on the Company's ESG-related work including (i) review ESG strategies and objectives; (ii) identify ESG risks; and (iii) supervise the implementation of ESG work.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended 31 March 2023, 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 and matters relating to the Company's ESG performance and reporting.

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 March 2023 are set out below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
LIN Xiaohai	4/4	N/A	N/A	N/A	1/1
HUANG Ming-Tuan	4/4	N/A	N/A	N/A	1/1
HAN Liu	4/4	N/A	N/A	N/A	1/1
LIU Peng	3/4	N/A	0/1	0/1	1/1
Karen Yifen CHANG	4/4	4/4	1/1	1/1	1/1
Dieter YIH	4/4	4/4	1/1	1/1	1/1
Charles Sheung Wai CHAN	4/4	4/4	1/1	1/1	1/1

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 ended 31 March 2023.

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 March 2023.

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 67 to 76.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services, mainly tax services, for the year ended 31 March 2023 is shown on note 7(b) to the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems of the Company and reviews their effectiveness. Such systems are designed to manage, rather than eliminate, the risks associated with failing to achieve certain business objectives and can only provide reasonable but not absolute assurance against material misstatements or losses.

As supported by the Audit Committee and the ESG Committee, the Board has conducted a review of the implemented risk management systems and internal control systems of the Company and is satisfied that they are effective and adequate for the year ended 31 March 2023.

In view of the Company's business and scale of operations, the Company formulated the following policies and procedures of risk management and internal control and the main features are:

– the establishment of an organizational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;

– the use of technology to identify, assess and mitigate risks related to financial reporting, business and operation;

– the engagement of external consultants to set up policies and procedures of risk management and internal control to comply with the new requirements of laws and regulations or new business needs; and

– the establishment of code of ethics and a whistle blowing channel for all employees to ensure high standards of conduct and ethical values in all business practices.

The Company has also engaged an internal audit team prior to its listing on the Stock Exchange to oversee the implementation of the risk management and internal control systems of the Company. Such engagement can assist the Board and the Audit Committee to monitor the Company's risk management and internal control systems.

The internal audit team identifies key areas of concern and designs an annual audit work plan. The annual work plan includes an assessment on the effectiveness of the risk management and internal control systems adopted by the Company, and compliance with the Listing Rules and other necessary areas. The annual audit work plan is submitted to the Audit Committee for review and approval, and material internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

During the reporting period, the internal audit team met the Audit Committee four times on a quarterly basis to discuss the progress report on the improvement of key areas of concern. The Audit Committee was satisfied that there had been no major deficiency noted in the Group's risk management and internal control systems after the implementation of the recommendations of the internal audit team with regard to the internal control deficiencies.

Further, an ESG Committee, a three-level governance structure with clearly assigned duties, has been set up to assist the Board in managing the ESG risks. The Board is the responsible for leading and monitoring the Company's ESG strategy and risks, approving ESG targets and reports, and regularly reviewing and constantly supervising the progress of ESG targets. ESG Management Committee and ESG Working Group are set under the Board. ESG Management Committee is responsible for ESG implementation and reporting, as well as overseeing the specific delivery from ESG Working Group.

During the reporting period, the ESG Committee has presented to the Board three times on a quarterly basis concerning the implementation of policies and procedures in relation to ESG risks.

INSIDE INFORMATION POLICY

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.

BUSINESS ETHICS

To facilitate the management and standardization of internal operations, the Company has regulations in place that specify the duties and scope of anti-corruption work and rectification measures in the event of various non-compliance and disciplinary violations to upkeep the image of the Company. Anti-corruption principles have also been incorporated in staff manual and employees are required to strictly abide them. To encourage employees to report misconduct that has occurred or is suspected to have occurred, the Company has established appropriate whistleblowing procedures pursuant to its whistleblowing policy to enable employees to report genuine suspected misconduct in a safe and fully confidential environment.

DIVIDEND POLICY

The Company has adopted and updated on 10 May 2021 its policy on payment of dividends (the "**Dividend Policy**"). According to the Dividend Policy, while the Company intends to declare and pay dividends in the future, the payment and the amount of any dividend will depend on a number of factors, including but not limited to:

- the Group's actual and expected financial performance;
- the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- profits available for distribution, retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's liquidity position;
- the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deems appropriate and relevant.

The payment of dividend is subject to compliance with applicable laws and regulations including the laws of Hong Kong and the Articles of Association. 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.

The Company may declare dividends in any currency in a general meeting but no dividends shall exceed the amount recommended by the Board.

COMPANY SECRETARY

Ms. HO Hang Yu Helen was appointed as the company secretary of the Company on 24 May 2022. She confirms that she has complied with all the required qualifications, experience and training requirements of the Listing Rules for the year ended 31 March 2023.

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 Company has in place a shareholders' communication policy which aims at promoting channels for shareholders to communicate their views on various matters affecting the Company and how the Company solicits and understand the views of shareholders and stakeholders. The Board has conducted its annual review of the implementation and effectiveness of the policy, and was of the view that the Company has established various communication tools as stated below to ensure the shareholders are kept well informed of information of the Company, and policy was effective and adequately implemented during the year ended 31 March 2023.

The Company uses the following methods to communicate with its shareholders:

- publication of announcements, interim reports and annual reports;
- publication of key corporate governance policies on the Company's website; and
- holding of annual general meeting and other general meetings of the Company.

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

To promote effective communication, the Company maintains a website at 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.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a 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 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 of the Company 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:	investor@sunartretail.com

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

ARTICLES OF ASSOCIATION

Since 24 September 2021, there were no changes made on the Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders of the Company may refer to the Articles of Association for further details of the rights of shareholders.

To the Shareholders of Sun Art Retail Group Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Sun Art Retail Group Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 77 to 183, comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 identified in our audit are summarised as follows:

- Recognition of purchase rebates, discounts in inventory and reimbursement of costs incurred in cost of sales
- Valuation of non-returnable inventories
- Impairment assessment of investment properties and other property, plant and equipment including right-of-use assets of the Group's stores

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of purchase rebates, discounts in inventory and reimbursement of costs incurred in cost of sales	
Refer to Notes 2.13, 4.6 and 7(b) to the consolidated financial statements. The Group has agreements with suppliers with a large number of different types of arrangements. The arrangements vary in nature and size and typically include volume-based purchase rebates and non-volume-related trade discounts that are earned when the goods are purchased, as well as reimbursement of costs incurred by the Group to sell the goods.	Our audit procedures to assess the recognition of purchase rebates, discounts and reimbursement of costs incurred included the following: • understanding, evaluating and validating management's internal controls relating to the process on the recognition of purchase rebates, discounts and reimbursement of costs incurred and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • assessing the reasonableness of significant assumptions used in the estimation of purchase volume for determining whether volume-based purchase rebate thresholds were met as at period end by comparing the forecast of future purchase amount to the Group's budget and based on our knowledge of the markets and the Group's business plan;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of purchase rebates, discounts in inventory and reimbursement of costs incurred in cost of sales (continued) Volume-based purchase rebates are recognised based on management's best estimation on the satisfaction of the associated performance conditions. These performance conditions generally require the Group to meet certain purchase volume thresholds. The estimation of the rebate rate before periodical settlement with suppliers involves management judgements on the estimation in the forecast of future purchase amount. Volume-based purchase rebates are accounted for as a deduction from cost of inventory. Reimbursements from suppliers of costs incurred by the Group are offset against the cost of sales. These costs relate to warehousing, deliveries and marketing campaigns initiated by the suppliers or carried out in collaboration with the suppliers. We focus on the recognition of purchase rebates, discounts and reimbursement of costs incurred due to their significant volume and amounts which involved a large number of different arrangements with suppliers and are material to the consolidated financial statements. Further, the accounting for volume-based purchase rebates entitled by the Group required estimates of future purchase volume and hence involved significant management judgement.	• checking, on a sample basis, the inputs and the calculation of volume-based purchase rebates and non-volume-related trade discounts by comparing the inputs with supporting documents, including purchase volume data and rebate and discount rates in the respective agreements, and performing recalculations on a sample basis of the volume-based rebates and non-volume-related discounts to which the Group is entitled based on the above inputs; and • testing, on a sample basis, the recognition of reimbursement of costs incurred, by inspecting underlying documents, such as the supplier reimbursement notes. Based on the results of the work performed, we found the recognition of purchase rebates, discounts and reimbursement of costs incurred were supported by the evidence that we obtained.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of non-returnable inventories	
Refer to Notes 2.13, 4.1 and 16 to the consolidated financial statements. As at 31 March 2023, the Group's balance of inventories net off provision made was RMB8,474 million. The total inventories comprise of inventories returnable according to contract terms with suppliers and other inventories that are non-returnable. Inventories are carried at the lower of cost and net realisable value. For non-returnable inventories, the assessment of net realisable value of inventories involves significant estimates and judgements made by management based on an inventory ageing analysis, future sales projection, estimated future selling price, costs necessary to make the sale and the current inventory conditions at the end of each reporting period. We identified the valuation of non-returnable inventories as a key audit matter because assessment of net realisable value and determining an appropriate provision for slow moving non-returnable inventories involves significant management judgement.	Our audit procedures to assess the valuation of non-returnable inventories included the following: • understanding, evaluating and validating management's internal controls over inventory management, including the review of the valuation of inventories and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • evaluating the outcome of prior period assessment of provision for inventories to assess reliability of management estimates by comparing the actual sales during the year with management's estimations at the end of the prior year; • checking, on a sample basis, whether items in the inventory ageing report prepared by the management were classified within the appropriate ageing bucket by comparing items in the report with the underlying purchase records; and • assessing the reasonableness of significant assumptions related to future sales projection, estimated future selling price and cost necessary to make the sale based on the current market trends, inventory conditions and the planned sales arrangements. Based on the results of the work performed, we found management's judgement in the valuation of non-returnable inventories was supported by the evidence that we obtained.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of investment properties and other property, plant and equipment including right-of-use assets of the Group's stores	
Refer to Notes 2.12, 4.3, 7(b) and 13 to the consolidated financial statements.	Our audit procedures to assess impairment of PP&E included the following:
The Group recorded a total impairment provision charge of RMB384 million against investment properties and other property, plant and equipment including right-of-use assets ("PP&E") to the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2023.	• understanding, evaluating and validating management's internal controls in place within the process relating to impairment assessment of PP&E and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
Management has determined that each individual store is a separate cash-generating unit. Management reviews the performance of individual stores at the end of each reporting period to identify if there is any indication that assets may be impaired, for example, when the respective store experienced a trend of significantly declining business performance.	• validating the management's processes in identifying the indicators of impairment.
Where indicators of impairment are identified, management performs impairment assessment on the recoverable amount of PP&E which is determined on a store-by-store basis at the greater of the value in use ("VIU") and the fair value less costs of disposal ("FVLCOD") of these assets.	

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of investment properties and other property, plant and equipment including right-of-use assets of the Group's stores (continued)	
VIU	For VIU assessment:
In determining the VIU of individual store, a discounted cash flow forecast is prepared and key inputs, including future revenue growth rates, future margins, future costs of each store and pre-tax discount rates are determined by management with significant management judgements and assumptions.	• comparing the significant assumptions 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 reliability of management's forecasting process and enquiring of management for any significant variations identified; • evaluating the significant assumptions used in the discounted cash flow forecasts, including future revenue growth rates, future margins and future costs, by considering the historical performance of these stores, budgets approved by management, market information and lease agreements signed; • evaluating sensitivity analysis of the significant assumptions, including future revenue growth rates, future margins, future costs of each store and pre-tax discount rates used in the cash flow forecasts prepared by management and considering the resulting impact on the impairment charge for the year in order to ascertain the extent to which adverse changes, both individually and in aggregate, would indicate that the PP&E were impaired; and • using our internal valuation specialists to assist us in evaluating the methodology and discount rates used by management in the preparation of its discounted cash flow forecasts.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of investment properties and other property, plant and equipment including right-of-use assets of the Group's stores (continued)	
FVLCOD	For FVLCOD assessment:
In determining the FVLCOD of PP&E of individual store, management has applied significant judgement in determining the market values by considering available information and valuation reports from an independent professional valuer on the self-owned and leased properties. Such valuations involved assumptions of key inputs such as market rent and yield. We identified impairment assessment of PP&E as a key audit matter because the carrying amount of PP&E as at 31 March 2023 was significant and determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows, discount rates and estimating the recoverable amounts of these assets, which are inherently uncertain and could be subject to management bias.	• discussing with the independent professional valuers engaged by management for the self-owned and leased properties valuations to evaluate their experience, competence, capabilities and objectivity and to understand the methodologies adopted and key inputs used in the valuation of properties; and • evaluating management's assumptions on key inputs in the valuations such as market rent and yield and methodology used in the independent professional valuer's report, with the assistance from our internal valuation specialists. We checked the rental agreements for the Group's other comparable leased stores and market data to corroborate with management's information. Based on the results of the work performed, we found management's judgements and estimates applied in the impairment assessment of PP&E were supported by the evidence that we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 Audit Committee is responsible 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. We report our opinion 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 judgment 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.

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

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

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 Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

		Year ended 31 March	
		2023	2022
	Notes	***RMB million***	*RMB million*
Revenue	*5*	**83,662**	88,134
Cost		**(63,081)**	(66,661)
Gross profit		**20,581**	21,473
Selling and marketing expenses		**(18,510)**	(20,353)
Administrative expenses		**(2,369)**	(2,551)
Other income and other gains, net	*6*	**1,475**	1,449
Operating profit		**1,177**	18
Finance costs	*8*	**(454)**	(520)
Share of net loss of associates and joint ventures accounted for using the equity method		**(1)**	(1)
Profit/(loss) before income tax		**722**	(503)
Income tax expense	*9*	**(644)**	(323)
Profit/(loss) for the year		**78**	(826)
Other comprehensive income for the year		**–**	–
Total comprehensive income/(loss) for the year		**78**	(826)
Profit/(loss) is attributable to:			
Owners of the Company		**109**	(739)
Non-controlling interests		**(31)**	(87)
Profit/(loss) for the year		**78**	(826)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**109**	(739)
Non-controlling interests		**(31)**	(87)
Total comprehensive income/(loss) for the year		**78**	(826)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings/(loss) per share	*11*	**RMB0.01**	RMB(0.08)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	As at 31 March **2023** ***RMB million***	 2022 *RMB million*
ASSETS			
Non-current assets			
Investment properties	*13*	**5,676**	5,830
Other property, plant and equipment	*13*	**22,749**	24,501
Intangible assets	*14*	**43**	31
Goodwill	*15*	**140**	140
Deferred tax assets	*26(b)*	**1,470**	1,506
Time deposits	*21*	**950**	–
Trade and other receivables	*18*	**9**	–
Investments accounted for using the equity method		**–**	1
Total non-current assets		**31,037**	32,009
Current assets			
Inventories	*16*	**8,474**	9,723
Trade and other receivables	*18*	**3,064**	4,102
Time deposits	*21*	**2,319**	700
Financial assets at fair value through profit or loss (“**Financial assets at FVPL**”)	*19*	**4,452**	6,665
Restricted deposits	*20(b)*	**2,364**	1,253
Cash and cash equivalents	*20(a)*	**12,408**	11,294
Total current assets		**33,081**	33,737
Total assets		**64,118**	65,746
LIABILITIES			
Non-current liabilities			
Trade and other payables	*22*	**28**	49
Lease liabilities	*24*	**5,469**	6,108
Deferred tax liabilities	*26(b)*	**443**	430
Total non-current liabilities		**5,940**	6,587

		As at 31 March	
		2023	2022
	Notes	***RMB million***	*RMB million*
Current liabilities			
Trade and other payables	*22*	**18,794**	20,211
Borrowings	*23*	**673**	–
Lease liabilities	*24*	**1,570**	1,271
Contract liabilities	*25*	**12,715**	12,347
Current tax liabilities		**229**	264
Total current liabilities		**33,981**	34,093
Total liabilities		**39,921**	40,680
Net assets		**24,197**	25,066
EQUITY			
Share capital	*27(a)*	**10,020**	10,020
Reserves	*27(b)*	**13,498**	13,938
Capital and reserves attributable to the owners of the Company		**23,518**	23,958
Non-controlling interests	*28*	**679**	1,108
Total equity		**24,197**	25,066

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 77 to 183 were approved by the Board of Directors on 16 May 2023 and were signed on its behalf.

LIN Xiaohai
Executive Director
and
Chief Executive Officer

HUANG Ming-Tuan
Non-Executive Director
and
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

		Attributable to owners of the Company							
		Share capital	Capital reserve	Exchange reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Notes	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Balance at 1 April 2021		10,020	1,911	45	1,560	12,687	26,223	1,631	27,854
Comprehensive loss									
Loss for the year		–	–	–	–	(739)	(739)	(87)	(826)
Total comprehensive loss		–	–	–	–	(739)	(739)	(87)	(826)
Transactions with owners in their capacity as owners									
Dividend declared and paid in respect of previous years	*12(b)*	–	–	–	–	(1,031)	(1,031)	–	(1,031)
Profit appropriation to statutory reserve	*27(b)*	–	–	–	362	(362)	–	–	–
Acquisition of non-controlling interests	*28*	–	(512)	–	–	–	(512)	(454)	(966)
Cash injection from Employee Trust Benefit Schemes	*28*	–	17	–	–	–	17	18	35
Total transactions with owners in their capacity as owners		–	(495)	–	362	(1,393)	(1,526)	(436)	(1,962)
Balance at 31 March 2022		10,020	1,416	45	1,922	10,555	23,958	1,108	25,066

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

		Attributable to owners of the Company							
		Share capital	Capital reserve	Exchange reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Notes	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 April 2022		10,020	1,416	45	1,922	10,555	23,958	1,108	25,066
Comprehensive income									
Profit/(loss) for the year		–	–	–	–	109	109	(31)	78
Total comprehensive income		–	–	–	–	109	109	(31)	78
Transactions with owners in their capacity as owners									
Dividend declared and paid in respect of previous years	12(b)	–	–	–	–	(377)	(377)	–	(377)
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	(35)	(35)
Profit appropriation to statutory reserve	27(b)	–	–	–	460	(460)	–	–	–
Acquisition of non-controlling interests	28	–	(177)	–	–	–	(177)	(389)	(566)
Capital injection from Employee Trust Benefit Schemes	28	–	5	–	–	–	5	5	10
Other		–	–	–	–	–	–	21	21
Total transactions with owners in their capacity as owners		–	(172)	–	460	(837)	(549)	(398)	(947)
Balance at 31 March 2023		10,020	1,244	45	2,382	9,827	23,518	679	24,197

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

		Year ended 31 March	
		2023	2022
	Notes	***RMB million***	*RMB million*
Cash flows from operating activities			
Cash generated from operations	*29(a)*	**4,932**	4,230
Income taxes paid		**(630)**	(653)
Net cash inflow from operating activities		**4,302**	3,577
Cash flows from investing activities			
Proceeds from sale of investment properties and other property, plant and equipment		**51**	64
Proceeds from redemption of time deposits with maturity over three months		**1,205**	898
Proceeds from redemption of financial assets at FVPL	*19*	**16,202**	30,306
Interest received		**398**	353
Payment for investment properties and other property, plant and equipment		**(1,454)**	(1,979)
Payment for intangible assets		**(18)**	(12)
Payment for the purchase of time deposits with maturity over three months		**(3,774)**	(1,580)
Payment for financial assets at FVPL	*19*	**(13,810)**	(24,749)
Net cash (outflow)/inflow from investing activities		**(1,200)**	3,301

		Year ended 31 March	
		2023	2022
	Notes	***RMB million***	*RMB million*
Cash flows from financing activities			
Proceeds from borrowings	*29(c)*	**680**	–
Cash injection from non-controlling interests		**–**	100
Cash collected from repayment of prepaid consideration of acquisition of non-controlling interests		**723**	399
Payment for acquisition of non-controlling interests		**(1,289)**	(1,365)
Principal element of lease rental paid	*29(c)*	**(1,241)**	(1,175)
Interest element of lease rental paid	*8, 29(c)*	**(447)**	(510)
Borrowings costs	*29(c)*	**(10)**	–
Repayment of interests		**(4)**	(11)
Dividends paid to Company's shareholders	*12(b)*	**(377)**	(1,031)
Dividends paid to non-controlling interests in subsidiaries		**(23)**	(87)
Net cash outflow from financing activities		**(1,988)**	(3,680)
Net increase in cash and cash equivalents		**1,114**	3,198
Cash and cash equivalents at the beginning of the year		**11,294**	8,096
Effects of exchange rate changes on cash and cash equivalents		**–**	–
Cash and cash equivalents at the end of the year	*20(a)*	**12,408**	11,294

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Sun Art Retail Group Limited (the "**Company**") is a company incorporated in Hong Kong on 13 December 2000 with limited liability. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 July 2011. The Company and its subsidiaries (the "**Group**") is a leading hypermarket operator in China.

As at 31 March 2023, 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 Alibaba Group Holding Limited ("**Alibaba**"), a company incorporated in the Cayman Islands and its American depositary shares and ordinary shares are listed on the New York Stock Exchange and the Stock Exchange, respectively.

These consolidated financial statements are presented in Renminbi ("**RMB**") rounded to the nearest million, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 16 May 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVPL which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) *New and amended standards adopted by the Group*

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 April 2022:

- Reference to the Conceptual Framework – Amendments to HKFRS 3.
- Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16.
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37.
- Annual Improvements to HKFRS Standards 2018-2020.
- Amendments to AG 5 Merger Accounting for Common Control Combinations.

The amendments or annual improvements listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New standards and amendments not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9—Comparative Information	1 January 2023
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.2(d)), after initially being recognised at cost.

(c) Joint arrangements

Under HKFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined that they are joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (Note 2.2(d)), after initially being recognised at cost in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.12.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

(e) Changes in ownership interests (continued)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within administrative expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for consolidated statement of financial position presented are translated at the closing rate at the date of that balance sheet

- income and expenses for consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 2.9) to earn rental income and/or for capital appreciation. These include areas within buildings of brick-and-mortar stores leased by the Group which are sublet to earn rental income.

Investment properties are stated at cost less accumulated depreciation and impairment losses (Note 2.12). The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

• Building	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.

2.8 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 (Note 2.9) are stated at cost less accumulated depreciation and impairment losses (Note 2.12).

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 (Note 2.20). 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 People's Republic of China ("**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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Other property, plant and equipment (continued)

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 using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

• Buildings	10 – 30 years
• Building and leasehold improvements	5 – 20 years
• Store and other equipment	4 – 10 years
• Office equipment	3 – 5 years
• Motor vehicles	5 – 8 years
• Land use rights and other properties leased for own use (Note 2.9)	from the commencement date to the earlier of the end of the useful life or the end of the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Leases

(a) As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Leases (continued)

(a) As a lessee (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Leases (continued)

(a) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Leases (continued)

(a) As a lessee (continued)

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.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

(b) 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 2.24(b).

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 2.9(a), then the Group classifies the sub-lease as an operating lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (Note 2.12).

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (other than goodwill) (continued)

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 – 10 years

Both the period and method of amortisation are reviewed annually.

2.11 Goodwill

Goodwill is measured as described in Note 2.3. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2.12 Impairment of non-financial 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:

- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position;
- investment properties, including right-of-use assets;
- other property, plant and equipment, including right-of-use assets;
- intangible assets; and
- goodwill.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of non-financial assets (continued)

(a) 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).

(b) 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).

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of non-financial assets (continued)

(d) 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 also applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (Note 2.12).

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.

2.13 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 cost 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 cost 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 cost in the period in which the reversal occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 3 months and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 18 for further information about the Group's accounting for trade and other receivables and Note 2.15(d) for a description of the Group's impairment policies.

2.15 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Investments and other financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in operating profit using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in operating profit together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the other items of profit or loss (Note 7(b)).

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Investments and other financial assets (continued)

(c) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 3.1(b).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Employee benefits

(a) 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.

(b) 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.

2.22 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.24 Revenue

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue (continued)

(a) Sales of goods

The Group sells its products to end customers via brick-and-mortar stores of the Group or over self-owned or Alibaba Group's online platforms. Revenue is recognised when the end customer takes possession of and accepts the products. As a practical expedient, commission paid to Alibaba Group's online platforms, which are considered as the incremental costs of obtaining a contract, are expensed when incurred because the amortisation period of the asset is less than one year.

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 expired. The deferred revenue is included in contract liabilities.

(b) 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.

(c) Revenue arising from recognition of unutilised balances on aged prepaid cards

Revenue 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 revenue once it is possible to determine with a sufficiently high degree of probability that the likelihood of future utilisation is remote.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue (continued)

(d) Contract assets and contract liabilities

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Contract assets are assessed for ECL in accordance with the policy set out in Note 3.1(b) and are reclassified to receivables when the right to the consideration has become unconditional (Note 2.14).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. 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 (Note 2.14).

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.

2.25 Other income

(a) Interest income

Interest income is recognised as it accrues using the effective interest method. Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. 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 (Note 3.1(b)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Other income (continued)

(b) 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.

(c) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.26 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.28 Related parties

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

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent or ultimate controlling shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Related parties (continued)

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

- 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);
- 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);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in Note 2.28(a);
- A person identified in Note 2.28(a) 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
- 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.

2.29 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest million currency units unless otherwise stated.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Board of Directors 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) Market risk

(i) Foreign exchange 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 exchange 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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.

Other than cash at bank, time deposits, restricted deposits and financial assets at FVPL (the "**Interest Bearing Assets**"), the Group has no other significant interest bearing assets.

The Group also has certain borrowings and lease liabilities (the "**Interest Bearing Liabilities**"). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The remaining Interest Bearing Liabilities are primarily issued at fixed rates. The Group's exposure to cash flow and fair value interest rate risk is minimal.

With all other variables held constant, if the interest rate had increased/decreased by 100 basis-point, the corresponding increase/decrease in other income (representing interest income on the Interest Bearing Assets) will result in a net increase/decrease in the Group's post-tax profit by RMB125 million (the year ended 31 March 2022: RMB132 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 March 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) Risk Management

Credit risk is managed on Group basis. It mainly arises from cash and cash equivalents, deposits with financial institutions as well as trade and other receivables, etc.

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 debtor 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 330 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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk Management (continued)

- 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.

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 loss or reversal of impairment loss in profit or loss. The Group recognises an impairment loss or reversal of impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to the ECL model:

- cash and cash equivalent;
- bank deposits;
- trade receivables, including amounts due from related parties; and
- other debtors.

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 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Loss allowances for trade receivables 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.

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.

Cash and bank deposits

To manage risk arising from cash and bank deposits, the Group only transacts with state-owned or reputable financial institutions in mainland China and Hong Kong. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables, including amounts due from related parties

As at 31 March 2023 and 2022, trade receivables for which the related loss allowance was provided on the individual basis are analysed as follows:

31 March 2023	**Expected credit loss rate**	**Gross carrying amount** *RMB million*	**Loss allowance** *RMB million*
Trade receivables from certain retail customers	84.78%	289	245

31 March 2022	Expected credit loss rate	Gross carrying amount *RMB million*	Loss allowance *RMB million*
Trade receivables from certain retail customers	50.98%	457	233

As at 31 March 2022, loss allowance of RMB233 million were specifically recognised for trade receivables due from certain retail customers as the Group noted that credit risk of the receivables has increased significantly since initial recognition during that year. As at 31 March 2023, loss allowance recognised for trade receivables due from these certain retail customers was RMB245 million.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables, including amounts due from related parties (continued)

As at 31 March 2023 and 2022, trade receivables for which the related loss allowance was made on a collective basis are analysed as follows:

31 March 2023	0 – 60 days *RMB million*	60 – 90 days *RMB million*	91 – 180 days *RMB million*	above 181 days *RMB million*	Total *RMB million*
Expected credit loss rate	1.32%	2.72%	5.33%	26.89%	4.47%
Gross carrying amount – trade receivables	684	367	150	119	1,320
Loss allowance	9	10	8	32	59

31 March 2022	0 – 60 days *RMB million*	60 – 90 days *RMB million*	91 – 180 days *RMB million*	above 181 days *RMB million*	Total *RMB million*
Expected credit loss rate	0.09%	0.00%	0.00%	21.71%	1.70%
Gross carrying amount – trade receivables	1,100	283	191	129	1,703
Loss allowance	1	–*	–*	28	29

* The amount is less than a million.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables, including amounts due from related parties (continued)

The closing loss allowances for trade receivables as at 31 March reconcile to the opening loss allowances as follows:

	Trade receivables	
	Year ended 31 March 2023	Year ended 31 March 2022
	RMB million	*RMB million*
Opening loss allowance	**262**	–
Increase in loss allowance recognised in profit or loss during the year	**42**	262
Closing loss allowance	**304**	262

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other debtors

The closing loss allowances for other debtors as at 31 March reconcile to the opening loss allowances as follows:

	Other debtors	
	Year ended 31 March 2023	Year ended 31 March 2022
	RMB million	*RMB million*
Opening loss allowance	**89**	30
Increase in loss allowance recognised in profit or loss during the year	**15**	70
Written off during the year as uncollectible	**–**	(11)
Closing loss allowance	**104**	89

Impairment losses on other debtors are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Net impairment losses on financial assets recognised in profit or loss

For the years ended 31 March 2023 and 2022, the following losses were recognised in profit or loss in relation to impaired financial assets:

	Year ended 31 March	
	2023	2022
	RMB million	RMB million
Impairment losses -		
Impairment losses for trade receivables	**42**	262
Impairment losses for other debtors	**15**	70
Net impairment losses on financial assets (Note 7(b))	**57**	332

(c) 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 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	**Within 1 year or on demand** *RMB million*	**Between 1 and 2 years** *RMB million*	**Between 2 and 5 years** *RMB million*	**Over 5 years** *RMB million*	**Total contractual cash flows** *RMB million*	**Carrying amount liabilities** *RMB million*
At 31 March 2023						
Non-derivatives						
Trade and other payables	**16,138**	**–**	**–**	**28**	**16,166**	**16,166**
Borrowings (Note 23)	**680**	**–**	**–**	**–**	**680**	**673**
Lease liabilities (Note 24)	**1,950**	**1,528**	**2,571**	**2,894**	**8,943**	**7,039**
Total non-derivatives	**18,768**	**1,528**	**2,571**	**2,922**	**25,789**	**23,878**

Contractual maturities of financial liabilities	Within 1 year or on demand *RMB million*	Between 1 and 2 years *RMB million*	Between 2 and 5 years *RMB million*	Over 5 years *RMB million*	Total contractual cash flows *RMB million*	Carrying amount liabilities *RMB million*
At 31 March 2022						
Non-derivatives						
Trade and other payables	17,557	–	–	49	17,606	17,606
Lease liabilities (Note 24)	1,740	1,554	2,956	3,357	9,607	7,379
Total non-derivatives	19,297	1,554	2,956	3,406	27,213	24,985

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. The Group defines net debt as per note 29(c). As at 31 March 2023, the Group's net debt-to-equity ratio was nil as its cash and cash equivalents exceeded its total borrowings (31 March 2022: nil).

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

3.3 Fair value estimation

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Recurring fair value measurements at 31 March 2023

	Level 1 *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Financial assets:				
– Financial assets at FVPL	–	1,925	2,527	4,452

Recurring fair value measurements at 31 March 2022

	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets:				
– Financial assets at FVPL	–	2,010	4,655	6,665

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for wealth management product with unobservable return.

(b) Fair value measurements using significant observable inputs (level 2)

The fair value of structured deposits in Level 2 is determined by observable inputs which are derived and evaluated based on the yield rate written in contracts with the commercial banks.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 March 2023 and 2022:

	Financial assets at FVPL
Balance at 1 April 2021	–
Purchase	18,874
Redemption	(14,375)
Gain recognised in profit or loss*	156
Balance at 31 March 2022	4,655
* includes unrealised gains recognised in profit or loss attributable to balances held at the end of the year	18
Balance at 1 April 2022	**4,655**
Purchase	**9,410**
Redemption	**(11,635)**
Gain recognised in profit or loss*	**97**
Balance at 31 March 2023	**2,527**
* includes unrealised gains recognised in profit or loss attributable to balances held at the end of the year	**17**

There were no transfers between the levels of the fair value hierarchy for the years ended 31 March 2023 and 2022. There were also no changes made to any of the valuation techniques applied as of 31 March 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair value as at 31 March 2023	Valuation technique	Unobservable input	Range/ (weighted average)	Relationship of unobservable input to fair value
Financial assets at FVPL	2,527	Income approach	Rate of return	0.50%-3.50%/ (2.35%)	The higher the rate of return, the higher the fair value

	Fair value as at 31 March 2022	Valuation technique	Unobservable input	Range/ (weighted average)	Relationship of unobservable input to fair value
Financial assets at FVPL	4,655	Income approach	Rate of return	2.85%-3.76%/ (3.60%)	The higher the rate of return, the higher the fair value

A change in the rate of return by 100 basis-point would increase/decrease the fair value by RMB9 million for the year ended 31 March 2023 (the year ended 31 March 2022: RMB5 million).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 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.

4.2 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.

4.3 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 2.12, 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 sales or 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.

4.4 Revenue arising from recognition of unutilised balances on aged prepaid cards

As stated in Note 2.24(c), revenue 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 revenue 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 revenue recognised and affect the Group's net asset value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.5 Determining the lease term

As explained in Note 2.9 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.

4.6 Recognition of volume-based purchase rebates

The Group has agreements with suppliers and earns volume-based purchase rebates when performance conditions are met such as reaching certain volume thresholds. Management estimates the rebate rate before periodical settlement with suppliers. Volume-based purchase rebates are accounted for as a deduction from cost of inventory. Any change in the forecast of future purchase amount would affect the recognition of volume-based rebate and therefore, the recognition of the cost of inventory.

5 SEGMENT AND REVENUE INFORMATION

The principal activity of the Group is the operation of brick-and-mortar stores and online sales channels in the PRC.

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

5 SEGMENT AND REVENUE INFORMATION (CONTINUED)

Revenue mainly represents the sales of goods to customers and rental 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 March	
	2023	2022
	RMB million	*RMB million*
Revenue from contracts with customers – sales of goods		
– recognised at a point in time	**80,535**	84,595
Revenue from other sources – rental income from tenants	**3,127**	3,539
Total revenue	**83,662**	88,134

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

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less.

The Group generally expenses contract acquisition cost when incurred because the amortisation period would have been 1 year or less.

6 OTHER INCOME AND OTHER GAINS, NET

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Miscellaneous income	**521**	571
Interest income on financial assets measured		
at amortised cost	**415**	375
Government grants	**222**	223
Gain on financial assets measured at FVPL (Note 19)	**179**	220
Disposal of packaging material	**139**	157
Net loss on disposal and reassessment of investment		
properties and other property, plant and equipment	**(1)**	(97)
	1,475	1,449

7 EMPLOYEE BENEFITS AND OTHER ITEMS OF COST OF SALES AND EXPENSES

(a) Employee benefit expense

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Salaries, wages and other benefits	**9,002**	9,318
Contributions to defined contribution retirement plans (i)	**1,052**	1,054
Expenses related to Employee Trust Benefit Schemes (ii)	**12**	11
	10,066	10,383

(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. There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

7 EMPLOYEE BENEFITS AND OTHER ITEMS OF COST OF SALES AND EXPENSES (CONTINUED)

(a) Employee benefit expense (continued)

(ii) Expenses related 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 undertake gains and losses to itself. The trusts invest the amounts received in either cash and cash equivalents ("**cash portion**") or equity of CIC in the case of the RT-Mart Scheme, or cash portion 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.

7 EMPLOYEE BENEFITS AND OTHER ITEMS OF COST OF SALES AND EXPENSES (CONTINUED)

(a) Employee benefit expense (continued)

(iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include nil (2022: one) director whose emolument is reflected in the analysis shown in Note 10. The emoluments payable to the remaining five (2022: four) individuals during the year are as follows:

	Year ended 31 March	
	2023	2022
	RMB thousand	*RMB thousand*
Basis salaries, housing allowances, share options, other allowances and benefits in kind	**28,331**	21,643
Contribution to pension scheme	**–**	–
Discretionary bonuses	**–**	–
Inducement fee to join or upon joining the Group	**–**	–
Compensation for loss of office:		
– contractual payments	**–**	–
– other payment	**–**	–
	28,331	21,643

The emoluments of the 5 individuals (2022:4) with the highest emoluments excluding directors are within the following bands:

	Year ended 31 March	
	2023	2022
	Number of individuals	*Number of individuals*
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	1
HK$5,000,001 – HK$5,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	–
HK$7,000,001 – HK$7,500,000	**1**	1
HK$8,500,001 – HK$9,000,000	**–**	1
HK$10,000,001 – HK$10,500,000	**1**	–
	5	4

7 EMPLOYEE BENEFITS AND OTHER ITEMS OF COST OF SALES AND EXPENSES (CONTINUED)

(b) Other items

	Year ended 31 March	
	2023	2022
	RMB million	RMB million
Cost of sales (Note 16(b))	**62,993**	66,572
Depreciation cost of investment properties and other property, plant and equipment (Note 13)	**3,622**	3,862
Operating lease charges	**951**	1,068
Impairment losses (Note 13)	**384**	1,448
Loss allowance related to trade receivables and other debtors (Note 3.1(b))	**57**	332
Amortisation cost of intangible assets (Note 14)	**6**	10
Auditors' remuneration		
– audit services	**17**	17
– non-audit services	**2**	1
Donations*	**–**	1

* The amount is less than a million.

8 FINANCE COSTS

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Interest expenses on lease liabilities (Note 13(c))	**447**	510
Interest expenses on borrowings	**3**	–
Interest expenses on other financial liabilities	**4**	10
	454	520

9 INCOME TAX EXPENSE

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

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Current tax-Hong Kong profit tax		
Current tax on profits for the year [(i)]	**36**	5
Current tax-PRC income tax		
Current tax on profits for the year [(ii)]	**516**	546
Adjustments for current tax of prior year	**43**	47
Total current tax expense	**595**	598
Deferred income tax		
Decrease/(increase) in deferred tax assets	**36**	(380)
Increase in deferred tax liabilities	**13**	105
Total deferred tax benefit	**49**	(275)
Income tax expense	**644**	323

(i) Entities incorporated in Hong Kong are subject to Hong Kong profits tax under the two-tiered profits tax regime, which the tax rate is 8.25% for assessable profits in the first HK$2 million and 16.5% for any assessable profits in excess. However, for two or more connected entities, only one of them can be nominated to be chargeable at the two-tiered profits tax rates.

(ii) PRC subsidiaries are subject to income tax at 25% for the year ended 31 March 2023 (for the year ended 31 March 2022: 25%) under the Enterprise Income Tax law ("**EIT law**").

9 INCOME TAX EXPENSE (CONTINUED)

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

Pursuant to the relevant regulations in respect of Announcement on Implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Businesses (Cai Shui [2021] No.12, Cai Shui [2023] No.6) and Announcement on Further Implementing Preferential Income Tax Policy for Small and Micro Enterprises (Cai Shui [2022] No.13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, qualified Small and Micro Enterprises meeting the criteria of employee number less than 300, total assets less than RMB50 million and annual taxable income less than RMB3 million are entitled to preferential tax treatment. More specifically, for the portion of annual taxable income which does not exceed RMB1 million, income tax shall be calculated at 12.5% of the annual taxable income using the tax rate of 20% from 1 January 2021 to 31 December 2022 and calculated at 25.0% of the annual taxable income using the tax rate of 20% from 1 January 2023 to 31 December 2024; for the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), income tax shall be calculated at 25% of the annual taxable income using the tax rate of 20% from 1 January 2022 to 31 December 2024. Approximately 34% of PRC subsidiaries of the Group enjoyed this preferential income tax treatment during the year ended 31 March 2023 (for the year ended 31 March 2022: approximately 31%).

A subsidiary of the Group in the Mainland of China was approved as High and New Technology Enterprise and it was subject to a preferential corporate income tax rate of 15% for the years ended 31 March 2023 (for the year ended 31 March 2022: nil).

9 INCOME TAX EXPENSE (CONTINUED)

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

(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 Mainland China 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.

As at 31 March 2022, Hong Kong tax resident certificate for the three years ended 31 December 2021 had been expired and the withholding tax was recognised by using the tax rate of 10%. During the year ended 31 March 2022, deferred tax expenses and a corresponding deferred tax liability (Note 26(a)) of RMB50 million had been recognised.

As at 31 March 2023, the Group has obtained renewed Hong Kong tax resident certificate and the withholding tax was recognised by using the reduced withholding tax rate of 5% and the deferred tax liability (Note 26(a)) balance was RMB17 million. The deferred tax liability was recognised in respect of the withholding tax payable on the retained profits of the Group's PRC subsidiaries generated subsequent to 1 January 2008 which the directors expect to distribute outside the Mainland China in the foreseeable future.

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.

9 INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Profit/(loss) before income tax expense	**722**	(503)
Notional tax on profit/(loss) before taxation, calculated at PRC income tax rate of 25%	**181**	(126)
Non-deductible expenses, less non-assessable income	**43**	(11)
PRC dividend withholding tax (Note 9(a))	**–**	50
Current year losses for which no deferred tax asset was recognised	**405**	486
Temporary differences for which no deferred tax asset was recognised	**24**	28
Utilisation of previously unrecognised tax losses	**(66)**	(69)
Recognition of previously unrecognised tax losses	**(27)**	(85)
Recognition of previously unrecognised temporary differences	**(4)**	(57)
Reversal of previously recognised deferred tax assets	**62**	96
Effect of change in the tax rates	**(8)**	–
Statutory tax concession	**(9)**	(38)
Under-provision in respect of prior years	**43**	47
Other	**–**	2
Actual tax expenses	**644**	323

10 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:

	Year ended 31 March 2023					
	Directors' fees *RMB thousand*	Salaries, allowances and benefits in kind *RMB thousand*	Contributions to retirement schemes *RMB thousand*	Discretionary bonus *RMB thousand*	Share-based payments *RMB thousand*	Total *RMB thousand*
Executive directors						
LIN Xiaohai (i)	–	–	–	–	–	–
Non-executive directors						
HUANG Ming-Tuan	–	–	–	–	–	–
LIU Peng	–	–	–	–	–	–
HAN Liu	–	–	–	–	–	–
Independent non-executive directors						
Charles Sheung Wai CHAN	416	–	–	–	–	416
Karen Yifen CHANG	346	–	–	–	–	346
Dieter YIH	346	–	–	–	–	346
Total	1,108	–	–	–	–	1,108

10 DIRECTORS' EMOLUMENTS (CONTINUED)

	Year ended 31 March 2022					
	Directors' fees *RMB thousand*	Salaries, allowances and benefits in kind *RMB thousand*	Contributions to retirement schemes *RMB thousand*	Discretionary bonus *RMB thousand*	Share-based payments *RMB thousand*	Total *RMB thousand*
Executive directors						
LIN Xiaohai (i)	–	–	–	–	–	–
Non-executive directors						
HUANG Ming-Tuan	–	7,103	–	–	–	7,103
LIU Peng *(appointed on 3 March 2022)*	–	–	–	–	–	–
LI Yonghe *(effective until 10 August 2021)*	–	–	–	–	–	–
XU Hong *(effective until 3 March 2022)*	–	–	–	–	–	–
HAN Liu *(appointed on 1 November 2021)*	–	–	–	–	–	–
Independent non-executive directors						
Charles Sheung Wai CHAN	391	–	–	–	–	391
Karen Yifen CHANG	325	–	–	–	–	325
Dieter YIH	325	–	–	–	–	325
Total	1,041	7,103	–	–	–	8,144

(i) The emoluments of Mr. LIN Xiaohai which were not included in director's emoluments, were paid by Alibaba Group.

(ii) No director of the Company agreed to waive any remuneration during the years ended 31 March 2023 and 2022.

(iii) 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(a)(iii) as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2023 and 2022.

(iv) No director of the Company are subject to Employee Trust Benefit Schemes as disclosed in Note 7(a)(ii).

11 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of RMB109 million (for the year ended 31 March 2022: loss attributable to owners of the Company of RMB739 million) and the weighted average of 9,539,704,700 ordinary shares in issue during the year ended 31 March 2023 (during the year ended 31 March 2022: 9,539,704,700 ordinary shares).

11 EARNINGS/(LOSS) PER SHARE (CONTINUED)

There were no dilutive potential ordinary shares during the years ended 31 March 2023 and 2022 and therefore diluted earnings/(loss) per share is equivalent to basic earnings/(loss) per share.

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Profit/(loss) attributable to owners of the Company	**109**	(739)
Weighted average number of ordinary shares in issue	**9,539,704,700**	9,539,704,700
Basic earnings/(loss) per share (expressed in RMB per share)	**0.01**	(0.08)

12 DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year:

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Final dividend proposed after the end of year of HKD0.045 (equivalent to RMB0.040) per ordinary share (the year ended 31 March 2022: HKD0.045 (equivalent to RMB0.038) per ordinary share)	**381**	364

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.

(b) Dividends payable to owners of the Company attributable to the previous financial years, approved during the year:

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Dividends paid to Company's shareholders	**377**	1,031

A final dividend of HKD0.045 (equivalent to RMB0.038) per ordinary share in respect of the year ended 31 March 2022 was approved on 18 August 2022, and the payment was made on 30 September 2022 for an amount equivalent to RMB377 million.

A final dividend of HKD0.13 (equivalent to RMB0.11) per ordinary share in respect of the fifteen months ended 31 March 2021 was approved on 12 August 2021, and the payment was made on 24 August 2021 for an amount equivalent to RMB1,031 million.

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

	Buildings	Building and leasehold improvements	Store and other equipment	Office equipment	Motor vehicles	Construction in progress	Land use rights	Other properties leased for own use	Subtotal	Investment properties	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 31 March 2021											
Cost	13,105	4,648	20,843	3,393	308	404	5,601	10,286	58,588	10,362	68,950
Accumulated depreciation and impairment	(4,781)	(3,618)	(13,638)	(2,589)	(230)	(41)	(1,412)	(5,130)	(31,439)	(4,123)	(35,562)
Net book amount	8,324	1,030	7,205	804	78	363	4,189	5,156	27,149	6,239	33,388
Year ended 31 March 2022											
Opening net book amount	8,324	1,030	7,205	804	78	363	4,189	5,156	27,149	6,239	33,388
Additions and reassessment	85	250	392	238	28	866	4	422	2,285	201	2,486
Disposals	(11)	(4)	(173)	(24)	(4)	–	–	(11)	(227)	(6)	(233)
Transfers	–	132	503	78	–	(713)	–	–	–	–	–
Depreciation charge (Note 7(b))	(471)	(170)	(1,343)	(364)	(29)	–	(149)	(824)	(3,350)	(512)	(3,862)
Impairment charge (Note 7(b))	–	(99)	(627)	(26)	(2)	(148)	–	(454)	(1,356)	(92)	(1,448)
Closing net book amount	7,927	1,139	5,957	706	71	368	4,044	4,289	24,501	5,830	30,331
At 31 March 2022											
Cost	13,139	4,677	20,572	3,447	294	493	5,606	9,668	57,896	10,130	68,026
Accumulated depreciation and impairment	(5,212)	(3,538)	(14,615)	(2,741)	(223)	(125)	(1,562)	(5,379)	(33,395)	(4,300)	(37,695)
Net book amount	7,927	1,139	5,957	706	71	368	4,044	4,289	24,501	5,830	30,331

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Building and leasehold improvements	Store and other equipment	Office equipment	Motor vehicles	Construction in progress	Land use rights	Other properties leased for own use	Subtotal	Investment properties	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 31 March 2022											
Cost	13,139	4,677	20,572	3,447	294	493	5,606	9,668	57,896	10,130	68,026
Accumulated depreciation and impairment	(5,212)	(3,538)	(14,615)	(2,741)	(223)	(125)	(1,562)	(5,379)	(33,395)	(4,300)	(37,695)
Net book amount	7,927	1,139	5,957	706	71	368	4,044	4,289	24,501	5,830	30,331
Year ended 31 March 2023											
Opening net book amount	**7,927**	**1,139**	**5,957**	**706**	**71**	**368**	**4,044**	**4,289**	**24,501**	**5,830**	**30,331**
Additions and reassessment	**237**	**84**	**131**	**66**	**14**	**516**	**–**	**956**	**2,004**	**348**	**2,352**
Disposals	**(9)**	**(29)**	**(78)**	**(6)**	**(1)**	**–**	**–**	**(108)**	**(231)**	**(21)**	**(252)**
Transfers	**54**	**36**	**223**	**41**	**–**	**(382)**	**(9)**	**–**	**(37)**	**37**	**–**
Depreciation capitalised during construction in progress stage	**–**	**–**	**–**	**–**	**–**	**14**	**(14)**	**–**	**–**	**–**	**–**
Depreciation charge (Note 7(b))	**(414)**	**(182)**	**(1,186)**	**(258)**	**(31)**	**–**	**(148)**	**(918)**	**(3,137)**	**(485)**	**(3,622)**
Impairment charge (Note 7(b))	**–**	**(30)**	**(174)**	**(18)**	**(1)**	**–**	**–**	**(128)**	**(351)**	**(33)**	**(384)**
Closing net book amount	**7,795**	**1,018**	**4,873**	**531**	**52**	**516**	**3,873**	**4,091**	**22,749**	**5,676**	**28,425**
At 31 March 2023											
Cost	**13,387**	**4,724**	**20,438**	**3,383**	**279**	**641**	**5,597**	**9,944**	**58,393**	**10,338**	**68,731**
Accumulated depreciation and impairment	**(5,592)**	**(3,706)**	**(15,565)**	**(2,852)**	**(227)**	**(125)**	**(1,724)**	**(5,853)**	**(35,644)**	**(4,662)**	**(40,306)**
Net book amount	**7,795**	**1,018**	**4,873**	**531**	**52**	**516**	**3,873**	**4,091**	**22,749**	**5,676**	**28,425**

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

All the Group's investment properties, other property, plant and equipment are located in the PRC.

The Group obtains leasehold land use rights for periods ranging from 30 to 70 years where complexes of brick-and-mortar stores are located among which, part of the brick-and-mortar store 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 March 2023, the Group was in the process of obtaining ownership certificates for certain land use rights which were classified as right-of-use assets (Note 13(c)) and buildings with an aggregate carrying amount of RMB1,295 million (31 March 2022: RMB1,816 million). Notwithstanding this, except for certain buildings associated with the legal claims as disclosed in Note 31, the directors are of the opinion that the Group owned the beneficial title to these land use rights and buildings as at 31 March 2023 and 2022.

(a) Investment properties

As set out in Note 2.7, 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 buildings of brick-and-mortar stores 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 March 2023, the total fair value of the investment properties was RMB20,810 million (31 March 2022: RMB21,460 million).

The valuation technique and significant unobservable inputs used to estimate the fair value of the investment properties are set forth in the table below 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.

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Investment properties (continued)

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 4.25% to 7.00% (the year ended 31 March 2022: 4.75% to 7.00%).

The Group leases out investment properties and certain other property, plant and equipment within the buildings of brick-and-mortar stores under operating leases which typically run for an initial period of 1 to 5 years. The Group's total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Within 1 year	**1,320**	2,535
After 1 year but within 5 years	**1,010**	1,013
After 5 years	**216**	227
	2,546	3,775

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.

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Impairment of investment properties and other property, plant and equipment

As at 31 March 2023, the carrying amount of building and leasehold improvements, equipment and right-of-use assets in certain stores of the Group were written down to their estimated recoverable amount of RMB390 million (31 March 2022: RMB704 million). The impairment losses of RMB384 million (the year ended 31 March 2022: RMB1,448 million) were recognised in "selling and marketing expenses" during the year ended 31 March 2023.

The Group regards each individual store as a separately identifiable CGU and performed impairment assessments on each of the CGU with impairment indicators by considering the recoverable amount of such assets at store level. As at 31 March 2023, the pre-tax discount rate used to determine the recoverable amounts is 10.30% to 18.80% (31 March 2022: 10.38% to 18.83%). The recoverable amounts of the CGUs are determined based on value in use calculations, which are higher than the fair value less costs of disposal calculations. The value in use calculations covering a period of the remaining lease term were lower than the carrying amounts of the CGUs. Accordingly, the Group recognised an impairment of investment properties and other property, plant and equipment of RMB384 million during the year ended 31 March 2023 (the year ended 31 March 2022: RMB1,448 million) (Note 7(b)).

(c) Right-of-use assets

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Right-of-use assets		
Included in "Other property, plant and equipment":		
Land use rights	**3,873**	4,044
Other properties leased for own use	**4,091**	4,289
	7,964	8,333
Included in "Investment properties":		
Leasehold investment properties (including land use rights)	**2,405**	2,457
	10,369	10,790
Lease liabilities (Note 24)		
Current	**1,570**	1,271
Non-current	**5,469**	6,108
	7,039	7,379

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Right-of-use assets (continued)

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**148**	149
Other properties leased for own use	**918**	824
Leasehold investment properties	**278**	280
	1,344	1,253
Interest on lease liabilities (Note 8)	**447**	510
Expense relating to short-term leases and leases of low value assets	**291**	320
Variable lease payments not included in the measurement of lease liabilities	**660**	748
COVID-19 related rent concessions receive	**(50)**	(12)

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Right-of-use assets (continued)

(iii) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Within operating cash flows	**1,060**	1,431
Within investing cash flows	**–**	4
Within financing cash flows	**1,688**	1,685
	2,748	3,120

These amounts relate to the following:

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Lease rentals paid	**2,748**	3,116
Purchase of leasehold properties	**–**	4
	2,748	3,120

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Right-of-use assets (continued)

(iv) The Group's leasing activities and how these are accounted for

Land use rights

The Group has obtained land use rights in Mainland China where certain complexes of buildings of brick-and-mortar stores 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.

Other properties leased for own use

The Group has obtained the right to use certain properties to operate its buildings of brick-and-mortar store business or as warehouses and offices through tenancy agreements. The leases typically run for an enforceable period of 5-20 years for buildings of brick-and-mortar store business and 1-20 years for warehouses and offices. Lease payments are increased on an agreement-to-agreement basis to reflect market rentals.

(v) Variable lease payments

During the year ended 31 March 2023, the Group leased a number of buildings for use as buildings of brick-and-mortar stores and for sublease which contain variable lease payment terms that are based on sales generated from the buildings of brick-and-mortar 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.

At 31 March 2023, it is estimated that an increase/decrease in sales generated from these retail stores by 5% would have increased/decreased the lease payments by RMB33 million (31 March 2022: RMB37 million).

(vi) Extension and termination options

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.

14 INTANGIBLE ASSETS

	Software *RMB million*
As at 31 March 2021	
Cost	217
Accumulated amortisation and impairment	(188)
Net book amount	29
Year ended 31 March 2022	
Opening net book amount	29
Addition	12
Amortisation charge (Note 7(b))	(10)
Closing net book amount	31
As at 31 March 2022	
Cost	229
Accumulated amortisation and impairment	(198)
Net book amount	31
Year ended 31 March 2023	
Opening net book amount	31
Addition	18
Amortisation charge (Note 7(b))	(6)
Closing net book amount	43
As at 31 March 2023	
Cost	247
Accumulated amortisation and impairment	(204)
Net book amount	43

The amortisation charge is recognised in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

15 GOODWILL

Goodwill balances were RMB140 million as of 31 March 2023 (31 March 2022: RMB140 million). The goodwill arose from multiple acquisitions of subsidiaries in past years and there is no individual cash-generating unit to which the goodwill allocated is significant to the financial statements. No impairment of goodwill was recognised for the years ended 31 March 2023 and 2022.

16 INVENTORIES

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

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Trading merchandise	**8,474**	9,723

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss (Note 7(b)) is as follows:

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Carrying amount of inventories sold	**63,011**	66,562
(Reversal of write down)/write down of inventories	**(18)**	10
	62,993	66,572

All inventories are expected to be sold within one year.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As at 31 March	
		2023	2022
	Notes	***RMB million***	*RMB million*
Financial assets			
Financial assets at amortised cost			
Trade and other receivables		**1,968**	2,620
Total of current and non-current time deposits	*21*	**3,269**	700
Restricted deposits	*20(b)*	**2,364**	1,253
Cash and cash equivalents	*20(a)*	**12,408**	11,294
		20,009	15,867
Financial assets at FVPL			
Structured deposits	*19*	**3,514**	6,665
Certificates of deposit	*19*	**938**	–
		24,461	22,532
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables		**16,166**	17,606
Borrowings	*23*	**673**	–
Lease liabilities	*24*	**7,039**	7,379
		23,878	24,985

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

18 TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Trade receivables		
Amounts due from related parties (Note 32(d))	**900**	1,723
Amounts due from third parties	**709**	437
Less: provision for impairment	**(304)**	(262)
Subtotal	**1,305**	1,898
Other receivables		
Value-added tax receivables	**430**	599
Prepayments of rentals	**675**	883
Amounts due from related parties (Note 32(d))	**10**	–
Other debtors	**757**	811
Less: provision for impairment	**(104)**	(89)
Subtotal	**1,768**	2,204
Total trade and other receivables	**3,073**	4,102
Less: non-current portion	**9**	–
Current portion	**3,064**	4,102

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 mainly within three months. The ageing of trade receivables is determined based on invoice date. All of the Group's trade receivables were denominated in RMB.

Rental prepayments mainly represent prepayments for short-term leases that have a lease term of 12 months or less, leases of low-value assets and variable leases that are based on sales generated from the leased brick-and-mortar stores as well as deposits which may be offset against future rentals of aforementioned leases in accordance with the related lease agreements. The lease payments associated with these leases are not capitalised and are recognised as an expense on a systematic basis over the lease term.

Except for interests receivables of non-current time deposits which will be recovered after one year, 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 3.1(b).

19 FINANCIAL ASSETS AT FVPL

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Structured deposits	**3,514**	6,665
Certificates of deposit (i)	**938**	–
	4,452	6,665

(i) The balance represents two large-denomination negotiable certificates of deposit. As the objective of the Group is selling these financial assets, their contractual cash flows did not qualify for solely payments of principal and interest. Therefore, they are classified as financial assets at FVPL.

Amounts recognised in profit or loss

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
At the beginning of the year	**6,665**	12,002
Purchase	**13,810**	24,749
Redemption	**(16,202)**	(30,306)
Realised and unrealised gains (Note 6)	**179**	220
At the end of year	**4,452**	6,665

20 CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

(a) Cash and cash equivalents

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Cash at bank and in hand	**11,040**	9,950
Deposits with banks within three months of maturity	**1,237**	1,103
Other financial assets and cash equivalents	**131**	241
	12,408	11,294

20 CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS (CONTINUED)

(b) Restricted deposits

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Restricted deposits in bank	**2,364**	1,253

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.

21 TIME DEPOSITS

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Included in non-current assets:		
RMB time deposits	**950**	–
Included in current assets:		
RMB time deposits	**2,319**	700

Non-current time deposits are bank deposits with maturity over twelve months and redeemable on maturity. Current time deposits are bank deposits with maturity over three months, under twelve months and redeemable on maturity.

Time deposits with initial terms of over three months were neither past due nor impaired. As at 31 March 2023 and 2022, the carrying amounts of the time deposits with initial terms of over three months approximated their fair values.

22 TRADE AND OTHER PAYABLES

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Current liabilities		
Trade payables	**11,478**	12,951
Amounts due to related parties (Note 32(d))	**1,173**	471
Construction costs payable	**835**	1,166
Dividends payable to non-controlling interests	**11**	13
Accruals and other payables	**5,297**	5,610
	18,794	20,211
Non-current liabilities		
Other financial liabilities	**28**	49

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

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Within six months	**9,740**	11,735
Over six months	**1,738**	1,216
	11,478	12,951

The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature.

23 BORROWINGS

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Current liabilities		
Bank borrowings, unsecured – maturity amount	**680**	–
Less: unamortised discount	**(7)**	–
	673	–

23 BORROWINGS (CONTINUED)

(a) The carrying amount of short-term borrowings approximated its fair value and was denominated in RMB.

(b) As at 31 March 2023, the effective interest rates per annum on borrowings was 1.55%.

(c) As at 31 March 2023, the Group's borrowings were repayable within one year.

24 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:

	As at 31 March			
	2023		2022	
	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	**1,570**	**1,950**	1,271	1,740
1-2 years	**1,218**	**1,528**	1,079	1,554
2-5 years	**1,962**	**2,571**	2,315	2,956
Over 5 years	**2,289**	**2,894**	2,714	3,357
	5,469	**6,993**	6,108	7,867
	7,039	**8,943**	7,379	9,607
Less: total future interest expenses	**–**	**(1,904)**	–	(2,228)
Present value of lease liabilities	**7,039**	**7,039**	7,379	7,379

25 CONTRACT LIABILITIES

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Prepaid cards (a)	**12,223**	12,073
Advance receipts from customers for sales (b)	**348**	246
Customer loyalty program points liability (c)	**144**	28
	12,715	12,347

(a) 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.

(b) 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.

(c) The Group operates a customer loyalty programme for sales to 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 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.

25 CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities:

	Prepaid cards *RMB million*	Advance receipts from customers for sales *RMB million*	Customer loyalty program points liability *RMB million*	Total *RMB million*
Balance at 1 April 2021	11,716	242	26	11,984
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(5,860)	(242)	(26)	(6,128)
Increase in contract liabilities excluding amounts recognised as revenue during the year	6,217	246	28	6,491
Balance at 31 March 2022	12,073	246	28	12,347

	Prepaid cards ***RMB million***	**Advance receipts from customers for sales** ***RMB million***	**Customer loyalty program points liability** ***RMB million***	**Total** ***RMB million***
Balance at 1 April 2022	**12,073**	**246**	**28**	**12,347**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(6,443)**	**(246)**	**(28)**	**(6,717)**
Increase in contract liabilities excluding amounts recognised as revenue during the year	**6,593**	**348**	**144**	**7,085**
Balance at 31 March 2023	**12,223**	**348**	**144**	**12,715**

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 HKFRS 15 for other sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

26 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:

Movements	Tax losses	Depreciation and amortisation charges in excess of depreciation and amortisation allowances	Tax impact of lease accounting under HKFRS 16	Asset impairment and provisions	Other provisions and timing differences	Fair value adjustment in relation to business combinations	Income recognised from aged unutilised prepaid cards	Withholding tax	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
As at 1 April 2021	148	185	616	137	40	(8)	(317)	–	801
Credit/(debited) to profit or loss (Note 9(a))	(10)	(14)	92	304	8	–	(55)	(50)	275
As at 31 March 2022	138	171	708	441	48	(8)	(372)	(50)	1,076
As at 1 April 2022	**138**	**171**	**708**	**441**	**48**	**(8)**	**(372)**	**(50)**	**1,076**
Credit/(debited) to profit or loss (Note 9(a))	**(27)**	**(16)**	**(23)**	**(22)**	**52**	**1**	**(47)**	**33**	**(49)**
As at 31 March 2023	**111**	**155**	**685**	**419**	**100**	**(7)**	**(419)**	**(17)**	**1,027**

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

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Tax impact of lease accounting under HKFRS16	**685**	708
Asset impairment and provision	**419**	441
Depreciation and amortisation charges in excess of depreciation and amortisation allowances	**155**	171
Tax losses	**111**	138
Other provisions and timing differences	**100**	48
Total deferred tax assets	**1,470**	1,506
Set-off of deferred tax liabilities pursuant to set-off provisions	**–**	–
Net deferred tax assets	**1,470**	1,506

26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Income recognised from aged unutilised prepaid cards	**(419)**	(372)
Withholding tax	**(17)**	(50)
Fair value adjustment in relation to business combinations	**(7)**	(8)
Total deferred tax liabilities	**(443)**	(430)
Set-off of deferred tax liabilities pursuant to set-off provisions	**–**	–
Net deferred tax liabilities	**(443)**	(430)

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Net deferred tax assets		
– to be recovered after more than 12 months	**862**	774
– to be recovered within 12 months	**608**	732
	1,470	1,506
Net deferred tax liabilities		
– to be recovered after more than 12 months	**(6)**	(7)
– to be recovered within 12 months	**(437)**	(423)
	(443)	(430)

26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2.23, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB5,741 million as at 31 March 2023 (31 March 2022: RMB4,593 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:

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
2022	**–**	448
2023	**521**	589
2024	**815**	826
2025	**692**	680
2026-2028	**3,713**	2,050
	5,741	4,593

(d) Deferred tax liabilities not recognised

For post-2007 undistributed profits of the Group's PRC subsidiaries which the Group has no plan to distribute outside the PRC in the foreseeable future, no deferred tax liabilities were recognised. As at 31 March 2023, such undistributed profits amounted to RMB8,223 million (31 March 2022: RMB8,495 million).

27 CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

(a) Share capital

	As at 31 March 2023		As at 31 March 2022	
		RMB million		RMB million
Registered, issued and fully paid	**9,539,704,700**	**10,020**	9,539,704,700	10,020

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

(b) Reserves

The following table shows a breakdown of the consolidated statement of financial position line item "reserves" and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided in below table:

	Capital reserve	Exchange reserve	Statutory reserve	Retained earnings	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Balance at 1 April 2021	1,911	45	1,560	12,687	16,203
Loss for the year	–	–	–	(739)	(739)
Dividend provided for or paid	–	–	–	(1,031)	(1,031)
Profit appropriation to statutory reserve	–	–	362	(362)	–
Acquisition of non-controlling interests	(512)	–	–	–	(512)
Cash injection from Employee Trust Benefit Schemes	17	–	–	–	17
Balance at 31 March 2022	1,416	45	1,922	10,555	13,938
Balance at 1 April 2022	**1,416**	**45**	**1,922**	**10,555**	**13,938**
Profit for the year	**–**	**–**	**–**	**109**	**109**
Dividend provided for or paid	**–**	**–**	**–**	**(377)**	**(377)**
Profit appropriation to statutory reserve	**–**	**–**	**460**	**(460)**	**–**
Acquisition of non-controlling interests	**(177)**	**–**	**–**	**–**	**(177)**
Capital injection from Employee Trust Benefit Schemes	**5**	**–**	**–**	**–**	**5**
Balance at 31 March 2023	**1,244**	**45**	**2,382**	**9,827**	**13,498**

27 CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (CONTINUED)

(b) Reserves (continued)

(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 capital injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired (Note 7(a)(ii));
- acquisition of additional non-controlling interests (Note 28); and

(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 2.6.

(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.

(iv) Distributability of reserves

As at 31 March 2023, the aggregate amount of reserves available for distribution to owners of the Company, as calculated under the provisions of section Part 6 of the Companies Ordinance was RMB52 million (31 March 2022: RMB58 million). After the end of the reporting period the directors proposed a final dividend of HKD0.045 (equivalent to RMB0.040) per ordinary share, amounting to RMB381 million (31 March 2022: HKD0.045 (equivalent to RMB0.038) per ordinary share, amounting to RMB364 million) (Note 12(a)). This dividend has not been recognised as a liability at the end of the reporting period.

28 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 16 November 2022, the Group acquired an additional 1.9812% of the issued shares of CIC for RMB566 million. Immediately prior to the purchase, the carrying amount of the existing 1.9812% non-controlling interest in CIC was RMB389 million. The Group recognised a decrease in non-controlling interests of RMB389 million and a decrease in capital reserve of RMB177 million.

On 3 November 2022, Hwabao Trust Co., Ltd. ("Hwabao") injected an additional 0.2803% of the issued shares of ACI for RMB10 million. Immediately prior to the injection, the carrying amount of the existing 0.2803% non-controlling interest in ACI was RMB5 million. The Group recognised an increase of RMB5 million in non-controlling interests and RMB5 million in capital reserve. This change of ACI's shareholding has been updated in the registration in Industrial and Commercial Registration Authority on 5 January 2023. As at 31 March 2023, the Group has not yet received the cash from Hwabao and an amount due from Hwabao was RMB10 million (Note 32(d)(i)).

On 6 January 2022, Hwabao injected RMB35 million to ACI. The Group recognised an increase in non-controlling interests of RMB18 million and an increase in capital reserve of RMB17 million.

On 25 December 2021, the Group acquired an additional 2.19734% of the issued shares of CIC for RMB966 million. Immediately prior to the purchase, the carrying amount of the existing 2.19734% non-controlling interest in CIC was RMB454 million. The Group recognised a decrease in non-controlling interests of RMB454 million and a decrease in capital reserve of RMB512 million.

29 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Profit/(loss) before income tax	**722**	(503)
Adjustments for		
Depreciation (Note 7(b))	**3,622**	3,862
Amortisation of intangible assets (Note 7(b))	**6**	10
Impairment losses on investment properties and other property, plant and equipment (Note 7(b))	**384**	1,448
Finance costs (Note 8)	**454**	520
Interest income (Note 6)	**(415)**	(375)
Gain on financial assets measured at FVPL (Note 6)	**(179)**	(220)
Net loss on disposal and reassessment of investment properties and other property, plant and equipment (Note 6)	**1**	97
Loss allowance related to trade receivables and other debtors (Note 7(b))	**57**	332
(Reversal of)/provision for impairment of inventories, net	**(18)**	10
Share of results of associates and joint ventures	**1**	1
Net foreign exchange loss	**7**	18
Change in working capital		
Decrease in inventories	**1,267**	257
Decrease/(increase) in trade and other receivables	**992**	(1,244)
Increase in restricted deposits	**(1,111)**	(84)
Decrease in trade and other payables	**(1,226)**	(262)
Increase in contract liabilities	**368**	363
Cash generated from operations	**4,932**	4,230

29 CASH FLOW INFORMATION (CONTINUED)

(b) Non-cash investing and financing activities

Other than the acquisition of right-of-use assets described in Note 13, there were no other material non-cash transactions during the year ended 31 March 2023.

(c) Net cash reconciliation

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Cash and cash equivalents (Note 20(a))	**12,408**	11,294
Dividends payable to non-controlling interests	**(25)**	(13)
Other financial liabilities (Note 22)	**(28)**	(49)
Borrowings (Note 23)	**(673)**	–
Lease liabilities (Note 24)	**(7,039)**	(7,379)
Net cash	**4,643**	3,853

	Cash and cash equivalents	Dividends payable to non-controlling interests	Other financial liabilities	Borrowings	Lease liabilities	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Balance as at 1 April 2021	8,096	(100)	(50)	–	(8,051)	(105)
Net Cash flows	3,198	87	11	–	1,685	4,981
Other non-cash movements	–	–	(10)	–	(1,013)	(1,023)
– Interest expenses	–	–	(10)	–	(510)	(520)
– Others	–	–	–	–	(503)	(503)
Balance as at 31 March 2022	11,294	(13)	(49)	–	(7,379)	3,853
Balance as at 1 April 2022	**11,294**	**(13)**	**(49)**	**–**	**(7,379)**	**3,853**
Net Cash flows	**1,114**	**23**	**4**	**(670)**	**1,688**	**2,159**
Other non-cash movements	**–**	**(35)**	**17**	**(3)**	**(1,348)**	**(1,369)**
– Interest expenses	**–**	**–**	**(4)**	**(3)**	**(447)**	**(454)**
– Others	**–**	**(35)**	**21**	**–**	**(901)**	**(915)**
Balance as at 31 March 2023	**12,408**	**(25)**	**(28)**	**(673)**	**(7,039)**	**4,643**

30 COMMITMENTS

Capital commitments

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Contracted for	**564**	609
Authorised but not contracted for	**1,477**	1,867
	2,041	2,476

31 CONTINGENCIES

Legal claims

As at 31 March 2023, legal actions have commenced against the Group by certain customers, suppliers and landlords in respect of disputes on purchase agreements and property lease arrangements. The total amount claimed is RMB551 million (31 March 2022: RMB445 million). As at 31 March 2023, those legal actions are still ongoing, with most of the cases not yet set for trial dates. Provision of RMB236 million was made within trade and other payables as at 31 March 2023 (31 March 2022: RMB126 million), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

32 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its significant related parties during the year. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

During the years ended 31 March 2023 and 2022, the directors are of the view that the following entities are significant related parties of the Group:

Name of Party	Relationship
Alibaba Group	Ultimate holding company, its subsidiaries, associates and joint ventures
Hwabao	Trustee of RT-Mart Scheme and Auchan Scheme trusts

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10 and certain of the highest paid employees as disclosed in Note 7(a)(iii), is as follows:

	Year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Short-term employee benefits	**49**	61

(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 March	
	2023	2022
	RMB million	*RMB million*
Sales of goods (i)	**2,805**	5,797
Commission income (ii)	**206**	405
Other miscellaneous income (iii)	**408**	545
Purchase of goods (iv)	**174**	253
Other expenses paid for business cooperation (v)	**2,034**	1,468
Receiving logistic service	**7**	16
Receiving technical service	**32**	32
Capital injection (vi)	**10**	100
Payment for acquisition of non-controlling interests (vii)	**1,289**	1,365
Received repayment of prepaid consideration of acquisition of non-controlling interests (viii)	**723**	399
Purchase of fixed assets (ix)	**10**	23
Sales of fixed assets	**5**	–
Receiving rental service	**6**	–

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions (continued)

The above related party transactions in respect of (i) sales of goods to Alibaba Group, (ii) commission income, (iii) other miscellaneous income, (iv) purchase of goods from Alibaba Group, (v) business cooperation payable, (vi) capital injection, (vii) payment for acquisition of non-controlling interests, (viii) received repayment of prepaid consideration of acquisition of non-controlling interests, and (ix) 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 factoring service fee receivable 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 March	
	2023	2022
	RMB million	*RMB million*
Other related party transactions		
Expenses related to Employee Trust Benefit Schemes (Note 7(a)(ii))	**12**	11

(i) Sales of goods represents sales of merchandise to Alibaba Group.

(ii) Commission income represents the income from Alibaba Group.

(iii) Other miscellaneous income represents fees received from Alibaba Group relates to marketing and other services.

(iv) Purchase of goods represents purchase of merchandise from Alibaba Group.

(v) Other expense represents expenses paid to Alibaba Group in respect of the services provided under the respective business cooperation agreements.

(vi) Capital injection from Hwabao.

(vii) Payment for acquisition of non-controlling interests held by Hwabao.

(viii) Received repayment of prepaid consideration of acquisition of non-controlling interests from Hwabao.

(ix) Purchase of fixed assets represents purchase of equipment from subsidiaries and an associate of Alibaba Group.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Related party balances

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Amounts due from Alibaba Group	**900**	1,723
Amounts due from Hwabao (i)	**10**	–
Amounts due to Hwabao (ii)	**(14)**	–
Amounts due to Alibaba Group	**(1,159)**	(471)

(i) As of 31 March 2023, the amount of RMB10 million represents the receivable of capital injection from Hwabao (Note 18).

(ii) As of 31 March 2023, the amount of RMB14 million represents the dividends payable to Hwabao.

33 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 March **2023** ***RMB million***	 2022 *RMB million*
ASSETS			
Non-current assets			
Investments in subsidiaries		**16,442**	16,442
Trade and other receivables		**6,566**	6,537
Total non-current assets		**23,008**	22,979
Current assets			
Trade and other receivables		**2**	2
Cash and cash equivalents		**27**	58
Total current assets		**29**	60
Total assets		**23,037**	23,039
LIABILITIES			
Current liabilities			
Trade and other payables		**72**	68
Net assets		**22,965**	22,971
EQUITY			
Share capital		**10,020**	10,020
Reserves	*(a)*	**12,945**	12,951
Total equity		**22,965**	22,971

The statement of financial position of the Company was approved by the Board of Directors on 16 May 2023 and was signed on its behalf.

LIN Xiaohai
Executive Director
and
Chief Executive Officer

HUANG Ming-Tuan
Non-Executive Director
and
Chairman

33 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Capital reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Reserves *RMB million*
Balance at 1 April 2021	13,318	(425)	1,148	14,041
Loss for the year	–	–	(59)	(59)
Dividends paid	–	–	(1,031)	(1,031)
Balance at 31 March 2022	13,318	(425)	58	12,951
Balance at 1 April 2022	**13,318**	**(425)**	**58**	**12,951**
Profit for the year	**–**	**–**	**371**	**371**
Dividends paid	**–**	**–**	**(377)**	**(377)**
Balance at 31 March 2023	**13,318**	**(425)**	**52**	**12,945**

34 INTERESTS IN OTHER ENTITIES

The principal activity of the Company is investment holding.

The Group's principal subsidiaries at 31 March 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

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

(a) Held directly by the Company:

Name	Place of business	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities	Date of establishment/ acquisition	Registered capital/issued and fully paid up capital
		As at 31 March 2023 %	As at 31 March 2022 %	**As at 31 March 2023 %**	As at 31 March 2022 %			*(million)*
CCIL (ii)	Cayman	**100**	100	**–**	–	Investment holding	2 December 2000	USD112
ACHK (ii)	HK	**100**	100	**–**	–	Investment holding	1 October 2001	USD216
Shanghai Art Management and Service Co., Ltd.	PRC	**100**	100	**–**	–	Consulting Service	16 August 2004	USD0.1
Feiniu E-Commerce Hong Kong Limited (ii)	HK	**100**	100	**–**	–	E-commerce	18 June 2013	RMB1,122
Fields Hong Kong Limited (ii)	HK	**90.02**	90.02	**9.98**	9.98	E-commerce	6 May 2013	HKD125

34 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Held directly or indirectly by CCIL:

Name	Place of business	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities	Date of establishment/ acquisition	Registered capital/issued and fully paid up capital
		As at 31 March 2023	As at 31 March 2022	**As at 31 March 2023**	As at 31 March 2022			
		%	%	**%**	%			*(million)*
RT-MART Holdings Limited (ii)	HK	**100**	100	**–**	–	Investment holding	26 October 2007	USD112
Concord Investment (China) Co., Ltd. (iii)	PRC	**96.87**	94.89	**3.13**	5.11	Investment holding and procurement centre	23 March 2005	USD249
Beijing Ruenfu Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	22 May 2009	USD2
Changshu RT-MART Hypermarket Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	2 December 2005	USD7
Changzhou Guanhe RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	23 February 2011	USD2
Changzhou Changhong RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	20 August 2007	USD2
Changzhou Huaide RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	2 December 2008	USD2
Cixi RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	26 March 2008	USD7
Dafeng Ruentex Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	3 April 2009	USD16
Dongtai RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	7 September 2010	USD2
Foshan Shunde RT-Mart Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	14 April 2003	USD7
Fuyang RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	4 September 2008	USD2
Guangdong Ruenhua Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing and procurement centre	17 September 2018	USD20
Guangzhou Concord Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	11 December 2008	USD2
Guangzhou Ruenping Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	9 October 2008	USD2
Guangzhou Ruenzeng Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	15 September 2011	USD2

34 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Held directly or indirectly by CCIL: (continued)

Name	Place of business	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities	Date of establishment/ acquisition	Registered capital/issued and fully paid up capital
		As at 31 March 2023 %	As at 31 March 2022 %	**As at 31 March 2023 %**	As at 31 March 2022 %			*(million)*
Guangzhou Tianmei Ruenfu Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	13 March 2007	USD3
Haikou Guoxing RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	28 October 2013	USD2
Hainan Longkun RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	26 March 2013	USD2
Hainan RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	20 March 2007	USD2
Haiyan RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	25 September 2008	USD3
Hangzhou Ruenfu RT-MART Hypermarket Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	21 May 2012	USD2.5
Hefei Feicui RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	8 February 2010	USD2
Hefei Luyang RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	4 December 2008	USD2
Huaian Ruenbao Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	31 October 2012	USD3
Huaian Ruenhuai Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	9 March 2012	USD10
Ji'nan Lixia RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing and procurement centre	4 July 2014	USD0.5
People's RT-MART Limited Jinan	PRC	**92.72**	90.83	**7.28**	9.17	Retailing	27 March 2000	USD21
Jiaxing Xiuzhou Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	24 February 2000	RMB15
Jianhu RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	2 July 2009	USD10
Jiashan RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	21 July 2010	USD3
Jurong RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	3 April 2009	USD2
Kunshan Qiandeng Ruenping Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	2 February 2010	USD17
Kunshan Ruenhua Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	20 September 2002	RMB165
Lianshui Ruenhua Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	12 May 2010	USD2

34 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Held directly or indirectly by CCIL: (continued)

Name	Place of business	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities	Date of establishment/ acquisition	Registered capital/issued and fully paid up capital
		As at 31 March 2023	As at 31 March 2022	**As at 31 March 2023**	As at 31 March 2022			
		%	%	**%**	%			*(million)*
Liyang RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	1 December 2011	USD2
Liuzhou Ruenping Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	26 April 2010	USD2
Nantong Tongzhou Ruentex Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	29 November 2007	USD7
Ningbo Fenghua RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	4 March 2008	USD2
Pinghu RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	28 February 2008	USD12
Wuhu RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	29 December 2008	USD2
Qidong Ruentex Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	28 April 2014	USD2
Qingdao Ruentex Enterprises Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing and procurement centre	17 November 2000	RMB200
Rugao RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	4 June 2007	USD2
RT-MART Limited Shanghai	PRC	**88.47**	94.89	**11.53**	5.11	Retailing	23 April 1997	USD30
Shanghai Baoshan Luodian RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	10 November 2010	USD2
Shanghai Fengxian RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	19 January 2007	USD3
Shanghai Jiading Anting RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	3 March 2011	USD2
Shanghai Jiading RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	27 July 2007	USD2
Shanghai Minhang Huacao RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	21 March 2008	USD12

34 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Held directly or indirectly by CCIL: (continued)

Name	Place of business	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities	Date of establishment/ acquisition	Registered capital/issued and fully paid up capital
		As at 31 March 2023 %	As at 31 March 2022 %	**As at 31 March 2023 %**	As at 31 March 2022 %			*(million)*
Shanghai Sanlin RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	4 September 2009	USD2
Shanghai Sijing RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	8 December 2008	USD2
Shanghai Xinhu RT-MART Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	28 October 2020	USD2
Shaoguan RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	18 June 2007	USD2
Shenyang RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	6 November 2002	USD7
Shenzhen RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	17 July 2007	USD2
Shenyang Ruenfu Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	11 September 2012	USD6
Suqian Ruenliang Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	14 May 2008	USD2
Suzhou Xuguan Ruenhua Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	18 August 2009	USD2
Suzhou Ruenping Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	30 January 2011	USD2
Suzhou Ruenwei Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	15 November 2013	USD2
Suzhou Ruenru Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	9 April 2021	USD2/0
Taixing Ruentex Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	30 November 2006	USD2
Tangshan Ruenliang Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	21 May 2007	USD2
Tongliao Ruentex Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	13 July 2009	USD2
Taizhoushi Hailingqu Ruenxuan Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	27 March 2014	USD2

34 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Held directly or indirectly by CCIL: (continued)

Name	Place of business	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities	Date of establishment/ acquisition	Registered capital/issued and fully paid up capital
		As at 31 March 2023	As at 31 March 2022	**As at 31 March 2023**	As at 31 March 2022			
		%	%	**%**	%			*(million)*
Tonglu RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	30 April 2008	USD6
Wujiang Ruenliang Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	23 December 2011	USD2
Wujiang Ruenjiang Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	12 June 2012	USD2
Wuhan RT-MART Jianghan Hypermarket Development Co., Ltd	PRC	**96.87**	94.89	**3.13**	5.11	Retailing and procurement centre	27 July 2001	USD8
Wujiang Ruentex Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	29 August 2007	USD2
Xiangshan RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	22 October 2009	USD3
Xinghua Ruentex Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	21 January 2009	USD2
Xuzhou Ruenping Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	25 May 2012	USD4/3
Lianyungang Ruenliang Commercial and Trading Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	03 March 2008	USD2
Xuzhou Ruenhua Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	26 August 2010	USD2
Yancheng RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	18 March 2010	USD3
Yangzhou Ruenhan Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	18 December 2010	USD3
Yangzhou Ruenliang Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	22 November 2010	USD2
Yangzhou Ruenxi Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	12 August 2016	USD2
Yixing RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	13 September 2011	USD2
Zhaoqingshi RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	13 June 2008	USD2
Zhenjiang RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	26 September 2013	USD2
Zibo RT-MART Commercial Co., Ltd.	PRC	**96.87**	94.89	**3.13**	5.11	Retailing	7 May 2009	USD2

34 INTERESTS IN OTHER ENTITIES (CONTINUED)

(c) Held directly or indirectly by ACHK:

Name	Place of business	Ownership interest held by the Group As at 31 March 2023 %	Ownership interest held by the Group As at 31 March 2022 %	Ownership interest held by non-controlling interests As at 31 March 2023 %	Ownership interest held by non-controlling interests As at 31 March 2022 %	Principal activities	Date of establishment/ acquisition	Registered capital/issued and fully paid up capital (million)
Auchan (China) Investment Co., Ltd. (iii)	PRC	**98.62**	98.90	**1.38**	1.10	Consulting service, investment and wholesale	10 April 2002	USD371/370
Suzhou Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	09 March 2001	RMB220
Shanghai Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	14 April 1997	USD18
Wuxi Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	22 December 2008	USD10/8.5
Nantong Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	12 October 2009	USD14
Chengdu Auchan Hypermarkets Co., Ltd	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	06 August 2003	RMB110
Beijing Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	05 September 2003	RMB50
Anhui Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	12 December 2007	USD12
Nanjing Xinshang Hypermarket Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	31 December 2001	RMB116
Taizhou Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	29 September 2006	USD10
Hangzhou Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	23 July 2001	USD23
Zhenjiang Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	16 April 2008	USD12
Huzhou Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	07 March 2009	USD10
Changzhou Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	15 June 2006	RMB122
Dongguan Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	06 March 2013	USD8
Meizhou Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	22 January 2013	USD7
Suzhou New Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	20 May 2016	RMB2
Nantong New Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	27 September 2011	USD10
Bengbu Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	29 September 2013	USD5
Ningbo Yishang Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	7 March 2002	RMB1,256
Zhoushan Auchan Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	1 September 2020	RMB5/0
Shaoxing Ruentex Hypermarkets Co., Ltd.	PRC	**98.62**	98.90	**1.38**	1.10	Retailing	29 March 2022	RMB12

34 INTERESTS IN OTHER ENTITIES (CONTINUED)

(c) Held directly or indirectly by ACHK: (continued)

(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 E-Commerce Hong Kong Limited, and Fields Hong Kong Limited are incorporated in Hong Kong. CCIL is incorporated in the Cayman Islands. All other subsidiaries are established and operated in the PRC.

(iii) CIC and ACI are sino-foreign equity joint ventures.

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

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in Note 12(a).

FINANCIAL SUMMARY

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

	For the year ended 31 March		For the fifteen months ended 31 March	For the year ended 31 December	
	2023	2022	2021	2019	2018
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue	**83,662**	88,134	124,612	95,549	99,692
Gross profit	**20,581**	21,473	31,365	25,923	25,452
Operating Profit	**1,177**	18	5,757	4,890	4,698
Profit/(Loss) for the Year	**78**	(826)	3,771	3,045	2,700
Profit/(Loss) attributable to:					
Equity shareholders of the Company	**109**	(739)	3,572	2,834	2,478
Non-Controlling Interests	**(31)**	(87)	199	211	222
Total assets	**64,118**	65,746	69,227	71,186	69,875
Total liabilities	**39,921**	40,680	41,373	45,828	46,226
Equity attributable to:					
the owners of the Company	**23,518**	23,958	26,223	23,925	22,287
Non-Controlling Interests	**679**	1,108	1,631	1,433	1,362

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.

Certain comparative figures have been reclassified to conform to the current year presentation.

SUN ART Retail Group Ltd.

(Incorporated in Hong Kong with limited liability)

Stock Code: 6808

Official Weibo

Official Video Account

Douyin

Little Red Book

RT Fresh APP