SUN ART RETAIL GROUP LIMITED
高鑫零售有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 06808)

FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 AND DISCONTINUATION OF PUBLICATION OF QUARTERLY RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sun Art Retail Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") as below.

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December		
	2017	2016	**Change**
	RMB million		
Revenue	**102,320**	100,441	1.9%
Gross Profit	**24,674**	23,981	2.9%
Profit from Operations	**4,487**	3,936	14.0%
Profit for the Year	**3,020**	2,629	14.9%
Profit Attributable to Equity Shareholders of the Company	**2,793**	2,571	8.6%
Earnings Per Share ("**EPS**") – Basic and diluted (1)	**RMB0.29**	RMB0.27	

	As at 31 December		
	2017	2016	**Change**
	RMB million		
Total Assets	**59,737**	60,341	(1.0)%
Total Liabilities	**36,188**	37,532	(3.6)%
Net Assets	**23,549**	22,809	3.2%
Net Financial Position (2)	**10,492**	8,110	29.4%
Current Ratio (3)	**0.78**	0.72	

Notes:

(1) The calculation of basic and diluted EPS for the years ended 31 December 2017 and 2016 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

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

(3) Current Ratio = Current Assets/Current Liabilities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Year ended 31 December **2017** *RMB million*	2016 *RMB million*
Revenue	*5*	**102,320**	100,441
Cost of sales		**(77,646)**	(76,460)
Gross profit		**24,674**	23,981
Other income	*6*	**1,630**	873
Operating costs		**(18,922)**	(18,042)
Administrative expenses		**(2,895)**	(2,876)
Profit from operations		**4,487**	3,936
Finance costs	*7(a)*	**(13)**	(23)
Share of results of an associate and joint ventures		**(5)**	(4)
Profit before taxation	*7*	**4,469**	3,909
Income tax	*8(a)*	**(1,449)**	(1,280)
Profit for the year		**3,020**	2,629
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Changes in fair value of long-term other financial liabilities		**–**	58
Total comprehensive income for the year		**3,020**	2,687
Profit attributable to:			
Equity shareholders of the Company		**2,793**	2,571
Non-controlling interests		**227**	58
Profit for the year		**3,020**	2,629
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,793**	2,629
Non-controlling interests		**227**	58
Total comprehensive income for the year		**3,020**	2,687
Earnings per share			
Basic and diluted	*9*	**RMB0.29**	RMB0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

		At 31 December	
		2017	2016
	Note	***RMB million***	*RMB million*
Non-current assets			
Investment properties		**3,503**	3,615
Other property, plant and equipment		**21,556**	22,820
Land use rights		**5,759**	5,740
		30,818	32,175
Intangible assets		**51**	77
Goodwill		**126**	181
Equity-accounted investees		**25**	15
Unquoted available-for-sale equity security		**–**	4
Trade and other receivables	*12*	**240**	397
Deferred tax assets		**455**	395
		31,715	33,244
Current assets			
Inventories	*11*	**14,201**	15,409
Trade and other receivables	*12*	**3,326**	3,552
Investments and time deposits	*13*	**133**	36
Cash and cash equivalents	*14*	**10,362**	8,100
		28,022	27,097
Current liabilities			
Trade and other payables	*15*	**35,446**	36,807
Bank loans		**2**	23
Income tax payables		**565**	638
		36,013	37,468
Net current liabilities		**(7,991)**	(10,371)
Total assets less current liabilities		**23,724**	22,873

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2017

	At 31 December	
	2017	2016
	RMB million	*RMB million*
Non-current liabilities		
Bank loans	**1**	3
Other financial liabilities	**50**	50
Deferred tax liabilities	**124**	11
	175	64
Net assets	**23,549**	22,809
Capital and reserves		
Share capital	**10,020**	10,020
Reserves	**12,295**	11,765
Total equity attributable to equity shareholders of the Company	**22,315**	21,785
Non-controlling interests	**1,234**	1,024
Total equity	**23,549**	22,809

NOTES:

1. STATEMENT OF COMPLIANCE

The Group's consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 in due course.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interest in an associate and joint ventures.

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest million (unless otherwise stated). RMB is also the functional currency of the Company and the Company's operating subsidiaries, as the Group's hypermarkets and E-commerce platforms are all operated in the People's Republic of China ("**PRC**"). The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value.

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

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

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. CHANGE IN ACCOUNTING ESTIMATE

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

As set out in note 15 below, the Group has significant balances of "advance receipts from customers" under "trade and other payables", which are primarily attributable to the balances of unutilised prepaid cards issued by the Group.

The Group has observed that a proportion of prepaid cards have been inactive for several years. The Group recognises revenue according to a "remote recognition" method. Under this policy, revenue is only recognised when it is possible to determine with a sufficiently high degree of confidence utilising actuarially based estimates the amount of card balances for which the likelihood of future utilisation is remote.

In previous reporting periods the Group's estimate in this respect was that there was an immaterial amount of aged prepaid cards for which the probability of being utilised in the future is remote. However, as a result of more years of experience of the trend of prepaid cards usage, the Group believes it is now in a position to determine with a high degree of confidence the ultimate amounts for certain groups of aged prepaid cards which will not be utilised. In this regard the Group has engaged an independent actuarial firm in 2017 to assist in employing statistical methods to analyse the patterns of usage of cards. Using statistical models based on the card redemption statistics for the previous 12 years, the Group has adjusted its estimate of the forecast unredeemed amounts from aged prepaid cards which will be not utilised. As a result, the Group has recognised an amount of RMB460 million as "Other Income" for the year ended 31 December 2017 in this respect. This, after deducting 25% income tax, contributed an amount of approximately RMB345 million to the Group's consolidated net profit for the year ended 31 December 2017. Other income recognised in future periods in respect of unutilised balances on aged prepaid cards will depend on the usage trends of customers of the cards issued by the Group.

5. REVENUE AND SEGMENT REPORTING

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

The Group is organised, for management purpose, into business units based on the banner under which the hypermarkets and E-commerce platforms are operated. As all of the Group's hypermarkets and E-commerce platforms are operated in the PRC, have similar economic characteristics, and are similar in respect of products and services provided and customer type, the Group has one reportable operating segment which is the operation of hypermarkets and E-commerce platforms in the PRC.

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

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Sales of goods	**98,775**	97,096
Rental income	**3,545**	3,345
	102,320	100,441

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

6. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Income from aged unutilised prepaid cards	**460**	–
Service income	**391**	329
Disposal of packaging materials	**204**	122
Interest income	**392**	255
Government grants	**165**	167
Compensation received	**18**	–
	1,630	873

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Interest expense on bank loans and other borrowings	**13**	23

(b) Staff costs

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Salaries, wages and other benefits	**8,298**	7,884
Contributions to defined contribution retirement plans	**1,039**	965
Contributions to Employee Trust Benefit Schemes *(i)*	**379**	431
Share-based payments	**1**	(8)
	9,717	9,272

(i) Contributions to Employee Trust Benefit Schemes

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

In addition to the annual profit sharing contributions made by the Group, subject to certain conditions, eligible employees are entitled to acquire additional beneficial interests in the relevant Employee Trust Benefit 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.

(c) Other items

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Cost of inventories	**77,598**	76,360
Depreciation		
– assets leased out under operating leases		
– investment properties	**226**	210
– other property, plant and equipment	**424**	491
– assets held for own use	**2,367**	2,263
	3,017	2,964
Amortisation		
– land use rights	**183**	171
– intangible assets	**63**	31
	246	202
Impairment losses		
– other property, plant and equipment *(i)*	**167**	91
– goodwill	**55**	–
	222	91
Operating lease charges		
(i) contingent rents		
– assets leased for own use	**621**	590
– assets sublet to others	**216**	186
(ii) minimum lease payments		
– assets leased for own use	**1,815**	1,703
– assets sublet to others	**262**	253
(iii) fees to Contracted Store Owners	**13**	14
Total	**2,927**	2,746
Loss on disposal of property, plant and equipment	**124**	34
Net foreign exchange loss/(gain)	**45**	(15)
Auditors' remuneration		
– audit services	**32**	32
– non-audit services	**1**	1
Donations	**4**	1
Rental income from investment properties		
– gross (including property management fee)	**(1,291)**	(1,213)
– direct operating expenses	**31**	43
Net rental income from investment properties	**(1,260)**	(1,170)

(i) As at 31 December 2017, the carrying amounts of the leasehold improvements and equipments of certain stores of the Group were written down to their estimated recoverable amounts of RMB76 million. The impairment losses of RMB167 million for the year ended 31 December 2017 (2016: RMB91 million) were recognised in "Operating costs".

8. INCOME TAX

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

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Under/(over)-provision in respect of prior years	**4**	(1)
Current tax – PRC income tax		
Provision for the year	**1,383**	1,302
Under-provision in respect of prior years	**9**	–
	1,396	1,301
Deferred tax		
Reversal/(origination) of temporary differences	**53**	(21)
	1,449	1,280

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Company and its subsidiaries incorporated in Hong Kong (2016:16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) Most of the PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2017 (2016: 25%) under the Enterprise Income Tax law ("**EIT law**").

Pursuant to the related regulations in respect of the Notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2011] No. 58) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation in the PRC, five PRC subsidiaries of the Group are entitled to a preferential income tax rate of 15% for the years ended 31 December 2017 and 2016.

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

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

The Group has provided RMB71 million in relation to the expected funds transfer to finance the 2017 final dividend distribution. RMB16 million additional withholding tax in relation to the 2015 and 2016 final dividend distributions; was also recognised during 2017 due to a recent interpretation of the Hong Kong Inland Revenue Department regarding the issuance of Certificate of Resident Status for companies in Hong Kong.

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

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

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Profit before taxation	**4,469**	3,909
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**1,117**	977
Statutory tax concession	**(8)**	(8)
Under/(over)-provision in respect of prior years	**13**	(1)
Non-deductible expenses, less non-assessable income	**48**	(8)
Current year losses for which no deferred tax asset was recognised	**176**	257
Temporary differences for which no deferred tax asset was recognised	**61**	35
Utilisation of previously unrecognised tax losses	**(49)**	(61)
Recognition of previously unrecognised temporary differences	**–**	(35)
Reversal of previously recognised deferred tax assets	**4**	33
PRC dividend withholding tax	**87**	91
Actual tax expenses	**1,449**	1,280

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

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Balance at beginning of the year	**638**	491
Under/(over)-provision in respect of prior years	**13**	(1)
Provision for current income tax for the year	**1,383**	1,302
Payment during the year	**(1,469)**	(1,154)
Income tax payables at the end of the year	**565**	638

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,793 million (2016: RMB2,571 million) and the weighted average of 9,539,704,700 ordinary shares (2016: 9,539,704,700) in issue during the year.

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

10. DIVIDENDS

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

	2017	2016
	RMB million	*RMB million*
Final dividend proposed after the end of the reporting period of HKD0.16 (equivalent to RMB0.13) per ordinary share (2016: HKD0.23 (equivalent to RMB0.20) per ordinary share)	**1,235**	1,908

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years approved during the year:

A final dividend of HKD0.23 (equivalent to RMB0.20) per ordinary share in respect of the year ended 31 December 2016 was approved on 10 May 2017, and the payment was made in June 2017 for an amount equivalent to RMB1,948 million.

11. INVENTORIES

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

	At 31 December	
	2017	2016
	RMB million	*RMB million*
Trading merchandise	**14,201**	15,409

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

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
Carrying amount of inventories sold	**77,554**	76,417
Write down/(reversal of write down) of inventories	**44**	(57)
	77,598	76,360

All inventories are expected to be sold within one year.

12. TRADE AND OTHER RECEIVABLES

	At 31 December **2017** *RMB million*	2016 *RMB million*
Non-current		
Rental prepayments	**240**	397
Current		
Trade receivables	**543**	450
Amounts due from related parties	**78**	88
Other debtors	**775**	781
Value-added tax recoverable	**915**	1,019
Prepayments:		
– rentals	**889**	1,103
– property, plant and equipment and intangible assets	**126**	111
Sub-total	**3,326**	3,552
Trade and other receivables	**3,566**	3,949

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

Rental prepayments may be offset against future rentals due to landlords of hypermarket premises leased by the Group in accordance with the relevant lease agreements.

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

13. INVESTMENTS AND TIME DEPOSITS

	At 31 December **2017** *RMB million*	2016 *RMB million*
Loans and receivables	**100**	–
Time deposits	**33**	36
	133	36

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

Time deposits have original maturity over three months.

14. CASH AND CASH EQUIVALENTS

	At 31 December	
	2017	2016
	RMB million	*RMB million*
Deposits with banks within three months of maturity	**126**	106
Cash at bank and on hand	**5,061**	5,405
Other financial assets	**5,175**	2,589
Cash and cash equivalents in the consolidated statement of financial position	**10,362**	8,100

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

15. TRADE AND OTHER PAYABLES

	At 31 December	
	2017	2016
	RMB million	*RMB million*
Current		
Trade payables	**19,468**	20,817
Advance receipts from customers	**9,513**	9,702
Amounts due to related parties	**191**	226
Construction costs payable	**1,446**	1,799
Dividends payable to non-controlling interests	**116**	124
Accruals and other payables	**4,712**	4,139
Trade and other payables	**35,446**	36,807

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

Advance receipts from customers primarily represent the unutilised balance of prepaid cards sold by the Group.

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

	At 31 December	
	2017	2016
	RMB million	*RMB million*
Due within six months	**18,874**	20,413
Due after six months but within 12 months	**594**	404
	19,468	20,817

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

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

	Year ended 31 December		
	2017	2016	**Change**
	(RMB million)		
Sales of goods	**98,775**	97,096	1.7%
Rental income	**3,545**	3,345	6.0%
Total Revenue	**102,320**	100,441	1.9%

For the year ended 31 December 2017, revenue from sales of goods was RMB98,775 million, representing an increase of RMB1,679 million, or 1.7%, from RMB97,096 million for the year ended 31 December 2016. The increase was primarily attributable to the continued business expansion of the Group with the opening of new stores (1).

For the year ended 31 December 2017, the Group continued to expand in various areas of China and opened 18 stores, which contributed to the increase in sales of goods.

For the year ended 31 December 2017, the same store sales growth (the "**SSSG**") (2) was -0.98%, compared to -0.34% for the year ended 31 December 2016. During the year of 2017, the trend of online-to-offline ("**O2O**") business integration accelerated and new retail formats have been launched, which provided customers with more choices. The Group has been making efforts to satisfy increasingly diversified needs of the customers by continuously developing its O2O business and deploying multi-formats. As part of this strategy, the Group entered into a business cooperation agreement with a subsidiary of Alibaba Group Holding Limited ("**Alibaba Group**") in late 2017 to leverage the online and offline advantages of both parties to provide customers with an integrated shopping experience.

For the year ended 31 December 2017, revenue from rental income was RMB3,545 million, representing an increase of RMB200 million, or 6.0%, from RMB3,345 million for the year ended 31 December 2016. This increase was primarily attributable to an increase in rentable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

Notes:

(1) New stores: Stores opened during the year ended 31 December 2017.

(2) SSSG: For stores opened for over 12 full months as of 31 December 2017, we calculated and compared the sales derived in those stores from their opening month to the end of year 2016 with the same period in year 2017.

Gross Profit

For the year ended 31 December 2017, gross profit was RMB24,674 million, representing an increase of RMB693 million, or 2.9%, from RMB23,981 million for the year ended 31 December 2016. The gross profit margin for the year ended 31 December 2017 was 24.1%, representing an increase of 0.2 percentage points from 23.9% for the year ended 31 December 2016. The increase in the gross profit margin was a result of a greater increase in revenue of 1.9% as compared to the increase in cost of sales of 1.6%, reflecting the ability of the Group to leverage economies of scale to improve the gross profit margin.

Other Income

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

For the year ended 31 December 2017, other income was RMB1,630 million, an increase of RMB757 million, or 86.7%, from RMB873 million for year ended 31 December 2016. This increase was primarily attributable to: (i) the income of RMB460 million recognised in respect of unutilised aged amounts of prepaid cards; (ii) an increase in service income of RMB62 million, which was mainly generated from the services provided in hypermarket complexes; and (iii) an increase in interest income of RMB137 million which was related to increased investment in financial products.

Operating Costs

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

For the year ended 31 December 2017, operating costs were RMB18,922 million, representing an increase of RMB880 million, or 4.9%, from RMB18,042 million for the year ended 31 December 2016.

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

To expressed in percentage, the amount of operating costs for the year ended 31 December 2017 as of revenue was 18.5%, representing an increase of 0.5 percentage points, from 18.0% for the year ended 31 December 2016. The increase was a result of a greater increase in operating costs of 4.9% as compared to the increase in revenue of 1.9%.

Administrative Expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, amortisation of land use rights, depreciation of property, plant and equipment and other expenses for the administrative departments. For the year ended 31 December 2017, administrative expenses were RMB2,895 million, representing an increase of RMB19 million, or 0.7%, from RMB2,876 million for the year ended 31 December 2016. The increase was primarily attributable to an increase in the number of administrative staff to provide support services for the expanded network of hypermarket complexes and E-commerce platforms.

To expressed in percentage, the amount of administrative expenses for the year ended 31 December 2017 as of revenue was 2.8%, representing a decrease of 0.1 percentage points, from 2.9% for the year ended 31 December 2016. This decrease was a result of slower increase in administrative expenses of 0.7% as compared to the increase in revenue of 1.9%.

Profit from Operations

For the year ended 31 December 2017, profit from operations was RMB4,487 million, representing an increase of RMB551 million, or 14.0 %, from RMB3,936 million for the year ended 31 December 2016. The operating margin for the year ended 31 December 2017 was 4.4%, representing an increase of 0.5 percentage points from 3.9% for the year ended 31 December 2016. The operating margin was 3.9%, excluding the income recognised for unutilised aged prepaid cards of RMB460 million, which demonstrated that the Group was able to maintain its profitability while developing its business.

Finance Costs

Finance costs primarily consist of interest expenses on borrowings. For the year ended 31 December 2017, the finance costs were RMB13 million, representing a decrease of RMB10 million, or 43.5% from RMB23 million for the year ended 31 December 2016. The decrease is mainly contributed by a lower average balance of borrowings during 2017 compared to the year of 2016.

Income Tax

For the year ended 31 December 2017, income tax expense was RMB1,449 million, representing an increase of RMB169 million, or 13.2%, from RMB1,280 million for the year ended 31 December 2016. The effective income tax rate was 32.4% for the year ended 31 December 2017, representing a decrease of 0.3 percentage points, compared to 32.7% for the year ended 31 December 2016.

Profit for the Year

For the year ended 31 December 2017, profit for the year was RMB3,020 million, representing an increase of RMB391 million, or 14.9%, from RMB2,629 million for the year ended 31 December 2016. Net profit margin for the year ended 31 December 2017 was 3.0%, increasing by 0.4 percentage points from 2.6% for the year ended 31 December 2016. In addition to the income of RMB345 million generated from the recognition of unutilised aged prepaid cards after income tax, the increase in profit for the year was also attributable to the reduced loss generated by our E-commerce platforms.

Profit Attributable to Equity Shareholders of the Company

For the year ended 31 December 2017, the profit attributable to equity shareholders of the Company was RMB2,793 million, representing an increase of RMB222 million, or 8.6%, from RMB2,571 million for the year ended 31 December 2016.

Profit Attributable to Non-Controlling Interests

For the year ended 31 December 2017, the profit attributable to non-controlling interests was RMB227 million, representing an increase of RMB169 million, or 291.4%, from RMB58 million for the year ended 31 December 2016. The profit attributable to non-controlling interests consists of: (i) interests in ACI and CIC from the Auchan Scheme and the RT-Mart Scheme; (ii) the interests held by an independent third party in three of the subsidiaries, People's RT-Mart Limited Jinan, Feiniu E-commerce Hong Kong Limited ("**Feiniu HK**") and Fields Hong Kong Limited ("**Fields HK**"); and (iii) the interests held by Oney Bank S.A. in Oney Accord Business Consulting (Shanghai) Co., Ltd ("**Oney Accord**").

Pursuant to the share transfer agreement between the Company and Grand Charm Ventures Limited ("**GCVL**") dated 11 July 2017, the Company agreed to acquire 147.6 million shares in Feiniu HK (14.255%) from GCVL for a cash consideration of approximately RMB166.7 million. The transfer was completed on 17 July 2017. After the transaction, Feiniu HK became a wholly owned subsidiary of the Company.

Liquidity and Financial Resources

For the year ended 31 December 2017, cash flow generated from operating activities was RMB6,990 million, representing an increase of RMB38 million, or 0.5%, from RMB6,952 million for the year ended 31 December 2016. In addition to the cash flow generated from the improvement from the operating result, the calendar difference of Chinese New Year in 2017 and 2016 also impacted the Group's working capital including prepaid cards, inventory, and related trade payables, which partically offset the increase in cash flow from operating activities.

As at 31 December 2017, the net current liabilities decreased to RMB7,991 million from RMB10,371 million as of 31 December 2016. The decrease, which reflected the impact from calendar difference of Chinese New Year in 2017 and 2016, was primarily attributed to: (i) a decrease in trade payables and other payables of RMB1,361 million; and (ii) an increase in current assets of RMB925 million.

For the year ended 31 December 2017, the inventory turnover days and trade payable turnover days were approximately 70 days and 95 days, respectively, and were approximately 67 days and 93 days for the year ended 31 December 2016, respectively.

Investing Activities

For the year ended 31 December 2017, cash flow used in investing activities was RMB2,255 million, representing a decrease of RMB1,108 million, or 32.9%, from RMB3,363 million for the year ended 31 December 2016.

The cash flow used in investing activities mainly reflected the capital expenditure related to: (i) new stores and projects of RMB1,550 million; (ii) the upgrading and remodeling of the existing hypermarkets complexes for RMB478 million; (iii) the investment in distribution centers for RMB97 million; and (iv) the maintenance and upgrading of E-commerce platforms and offices for RMB16 million.

Financing Activities

For the year ended 31 December 2017, cash flow used in financing activities was RMB2,473 million, representing an increase of RMB383 million, or 18.3%, from RMB2,090 million for the year ended 31 December 2016. The increase was mainly attributable to: (i) the increase in dividend distribution of RMB382 million; (ii) the payment for acquisitions of non-controlling interests of RMB353 million during the year ended 31 December 2017; and (iii) partially offset by the decrease in bank borrowings net repayment of RMB591 million.

Dividends

The Board proposed a final dividend of HKD0.16 (equivalent to RMB0.13) per ordinary share (the "**Final Dividend**") for the year ended 31 December 2017, amounting to approximately HKD1,526 million (equivalent to RMB1,235 million).

The payment of the Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting ("**AGM**"). For details of the Final Dividend, please refer to the section headed "Final Dividend" in this announcement on page 26.

BUSINESS REVIEW

Operating Environment

During 2017, China's gross domestic product ("**GDP**") grew by 6.9% to approximately RMB82,712.2 billion. The overall consumer price index ("**CPI**") was up by 1.6% compared to 2016, in which the food section was down by 1.4%, driven mainly by the pork which declined by 8.8%, vegetable declined by 8.1% and egg declined by 4%. Non-food section observed an increase of 2.3%.

Total retail sales of consumer goods in China reached RMB36,626.2 billion, representing a growth of 10.2% year on year. National online sales reached RMB7,175.1 billion, a growth of 32.2% compared to 2016. Online physical products sales of year 2017 amounted to RMB5,480.6 billion, representing an increase of 28.0% and accounted for 15% of total retail sales. According to the China Nation Commercial Information Center, the sales growth of 50 key retailers has increased by 3.3%.

Strategic Alliance

On 20 November 2017, Chinese Internet retail giant Alibaba Group, Auchan Retail International S.A. and Ruentex Group announced a strategic alliance to pursue new opportunities in China's food retail sector, by way of Taobao China Holding Limited (being an indirect wholly-owned subsidiary of Alibaba Group) agreeing to acquire, itself or through the designated co-investors, an aggregate of approximately 26.02% interest in the Company.

On 7 December 2017, Hangzhou Alibaba Zetai Information Technology Company Limited (being an indirect wholly-owned subsidiary of Alibaba Group), the Company, ACI and CIC entered into a business cooperation agreement (the "**Business Cooperation Agreement**"), pursuant to which Hangzhou Alibaba Zetai Information Technology Company Limited has agreed to provide services including, among others, (a) granting access by the stores operated by ACI and CIC to its business model and online platforms; (b) data sharing; (c) integration of systems and POS hardware; and (d) delivery services. Taobao (China) Software Co., Ltd. (being an indirect wholly-owned subsidiary of Alibaba Group) will enter into two implementation agreements with ACI and CIC, respectively, for implementation of the cooperation contemplated in the Business Cooperation Agreement. Further announcement in respect of the implementation agreements will be made by the Company as and when appropriate.

Further, CIC has entered into a supply agreement with Zhejiang Tmall Supply Management Co., Ltd. ("**Tmall Supply**") on 29 December 2017, in relation to the supply of certain popular products on the Tmall platform by Tmall Supply to CIC.

The alliance with Alibaba Group brings win-win to the long-term development of the Group, the stakeholders, the employees and the consumers. The Group can leverage Alibaba Group's data-driven technology to complete digital transformation of the mortar stores and as a result, to integrate the membership system, inventory and payment. In addition, through the Taobao mobile application ("**APP**") , orders and revenue will be brought to the stores and the integration of online and offline will be realized whilst striding forward to the New Retail Era.

With Alibaba's Technology and Traffic Import, Accelerating the Integration of Online and Offline

Currently, a standalone "RT-Mart Fresh" APP has been rolled out to all RT-Mart stores. Consumers can order commodities via this APP and the nearest stores can provide one-hour delivery service from the relevant store to home for the consumer. The "RT-Mart Fresh" APP now has approximately 6,000 to 7,500 stock keeping units ("**SKUs**") including fresh, fast moving consumer goods ("**FMCG**") and general goods, of which 1,300 to 1,500 SKUs are fresh products. In addition to traditional fresh products such as vegetables and fruits, seafood, dairy, butchery and eggs, the APP can also provide bakery, dim sum and delicatessen products. The fresh product range of "RT-Mart Fresh" APP not only focuses on premium fresh products but also ordinary fresh products, and it provides a purchase solution for online fresh products to all kinds of consumers.

The first "RT-Mart Fresh" APP has been successfully launched inside the RT-Mart Yangpu store in early July 2017 along with the retrofit of the in-store area and the installment of a conveyor belt system. For illustration purpose, in December 2017, daily order numbers of RT-Mart Yangpu store reached over 1,000 orders, of which the sales of fresh products accounted for more than 50%. In December 2017, two RT-Mart Stores located in Shanghai were retrofitted. "RT-Mart Fresh" APP now has over one million registered members, of which 330,000 are active. Each active member purchased over four times in average per month. The conversion rate of unique visitors was over 40%, and the cannibalization rate between online and offline was about 15%. Going forward, "RT-Mart Fresh" APP will also benefit from the traffic generated from "Taobao Dao Jia" via Taobao APP.

From March 2018, the digital transformation of the Group's existing stores will be rolled out in succession. All the transformation will be completed by the end of 2018. Afterwards online and offline will be integrated and our internetized hypermarkets will become the model of New Retail in the future.

Deployment of Multi-format and Omni-channel

On 28 September 2017, the first unmanned convenience box named "Auchan Minute" was launched in Shanghai. As of 31 December 2017, the Group has rolled out 67 "Auchan Minute" convenience boxes located in Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Sichuan Province and Guangdong Province. The unmanned convenience boxes are all deployed within a radius of three kilometers of each participating store, and leverages the advantages of scaled supplier chains, flexible category mix, seasonal products, timely replenishment and zero inventory pressure. "Auchan Minute" is an 18-square-meter box with 500 SKUs, which offers various combinations of products based on its location at competitive prices compared to the convenience stores nearby. During the year under review, 43 stores under the Auchan banner have participated in this project. The Group will accelerate the deployment of these unmanned convenience boxes in the near future.

During the year ended 31 December 2017, both sales and customer numbers of the first Hi!Auchan Premium Supermarket increased by more than 30% compared to 2016. The stake of fresh and FMCG accounts for 90% of total sales, especially in the fresh sector, the sales contribution rate is close to 60%. Moreover, we are also investigating and exploring the medium-size format. When the business mode is finalised, it will be the one of our multi-formats. During the year under review, the Group opened five LLABEAU (萊碧) beauty shops in Shanghai, Suzhou, Kunshan and Ningbo, with an area of 60 to 160 square meters, mainly selling skincare and make-up products. We believe that the future medium-size and small-size formats will be integrated with our online infrastructure, as pant of a development plan to become multi-format and multi-channel retailer.

In 2017, Feiniu moved its focus to "Business to Business" ("**B2B**") business. During the year under review, sales contribution of B2B business accounted for 60% of total gross merchandise value ("**GMV**") of Feiniu. "RT-Mart e Lu Fa" (大潤發e路發), as a standalone B2B APP of Feiniu, currently has about 200,000 B2B clients with more than 12,000 SKUs. The B2B clients involve companies, retail, mother and baby, wholesale, entertainment and catering.

The B2B business is relying on nearly 400 mortar stores, within the compass of 200 cities nationwide. Using the stores as B2B warehouses and leveraging the advantage of a strong supplier chain, the Group is able to deliver the products with high quality and low price to tier three cities and tier four cities, to carry a full product range and provide efficient delivery to small mom-and-pop grocery stores and help those stores to transform and upgrade.

As of 31 December 2017, the GMV of Feiniu has reached RMB4.1 billion, almost double the size compared to 2016 and has narrowed the loss recorded for the year ended 31 December 2017.

Expansion Status

During the year under review, the Group opened 18 new hypermarket complexes, of which one was under the Auchan banner and 17 were under the RT-Mart banner. Among the new stores, five were located in Eastern China, five were located in North-eastern China, two were located in Central China, two were located in Western China and four were located in Southern China. No new stores were opened in Northern China. In year ended 31 December 2017, the Group closed one store under the RT-Mart banner in Shanghai, and two stores under the Auchan banner in Qingdao and Shenyang respectively.

As of 31 December 2017, the Group had a total of 461 hypermarket complexes in China with a total gross floor area ("**GFA**") of approximately 12.46 million square meters. Approximately 69.5% of the GFA was operated as leased space, 30.3% of the GFA was in self-owned properties and 0.2% of the GFA was in Contracted Stores. Please refer to note 1 below for definitions of regional zones.

As of 31 December 2017, approximately 8% of the Group's stores were located in first-tier cities, 17% in second-tier cities, 45% in third-tier cities, 22% in fourth-tier cities and 8% in fifth-tier cities. Please refer to note 2 below for definitions of tiers.

As of 31 December 2017, through the execution of lease contracts or acquisition of land plots, the Group had identified and secured 78 sites to open hypermarket complexes, of which 67 were under construction. Given that more and more new stores are going to be opened in lower tier cities, in order to ensure the quality of the stores, the Group has upgraded site selection standards.

As of 31 December 2017, the number of stores and their GFA in each major region of China are set out below:

Region	Number of hypermarket complexes (As of 31 December 2017)				Total GFA of hypermarket complexes (sq.m.) (As of 31 December 2017)		
	Auchan	RT-Mart	Total	Percentage	Auchan	RT-Mart	Total
Eastern China	51	134	185	40%	2,067,785	3,253,686	5,321,471
Northern China	5	42	47	10%	151,064	1,045,298	1,196,362
Northeastern China	1	49	50	11%	32,033	1,361,428	1,393,461
Southern China	5	79	84	18%	124,523	1,930,956	2,055,479
Central China	10	63	73	16%	293,766	1,574,654	1,868,420
Western China	5	17	22	5%	223,839	400,909	624,748
Total	**77**	**384**	**461**	**100%**	**2,893,010**	**9,566,931**	**12,459,941**

Notes:

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

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

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

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

Human Resources

As of 31 December 2017, the Group had 147,693 employees.

The Group always pays great attention to the training and development opportunities of employees. The Group endeavors to enhance the professionalism of its employees, to improve incentives, to advance career planning for employees, and to reduce the turnover rate. Human resources are the cornerstone of the Group's response to increasingly fierce competition and to support future development.

Outlook

Along with the rise of new retail, the new configuration of China's retail industry has been gradually transformed. Facing this new configuration, the priorities of the Group are to reinvent the hypermarket complexes, to explore and deploy multi-formats, and to become a model of New Retail with not only multi-channel and multi-format but also O2O and B2B business. We will build the best team and improve synergy among the Auchan banner, the RT-Mart banner and Alibaba Group.

Entering the New Retail Era and integrating online and offline are inevitable. By combining our supply chain with Alibaba Group's technology and traffic, we can make it more convenient for customers to shop, let the customers of tier four cities and tier five cities to enjoy the same choice as higher tier cities and as a result advance consumption upgrading.

We believe that, through the strategic alliance with Alibaba Group, we are able to optimize our product range, improve customer options and enhance efficiency through big data technology. The Group aims to introduce a new streamlined shopping experience to customers and become the most popular retailer for customers.

OTHER INFORMATION

Corporate Governance

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

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

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

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2017, save and except for the deviation of code provision C.3.7(a) of the CG Code.

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

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

Further information of the Corporate Governance practice of the Company will be set out in the Corporate Governance Report to be included in the Annual Report of the Company for the year ended 31 December 2017.

Audit Committee

The Company established the Audit Committee on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to assist the Board in overseeing and reviewing (i) the effectiveness of the Company's risk management and internal control systems and regulatory compliance of the Group; (ii) the balance, transparency and integrity of the Company's financial statements and application of financial reporting principle; (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) agree with internal auditors for their annual plan of work and the results of this work. The Audit Committee currently consists of five non-executive Directors, three of whom are independent. The members currently are Mr. Xavier, Marie, Alain Delom de Mezerac, Mr. Wilhelm, Louis Hubner, Ms. Karen Yifen Chang, Mr. He Yi and Mr. Desmond Murray. It is currently chaired by Mr. Desmond Murray, an independent non-executive Director. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and also discussed auditing, internal controls and financial reporting matters including the review of the consolidated results of the Group for the year ended 31 December 2017.

Nomination Committee

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

Remuneration Committee

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

Securities Transactions by Directors

The Company has adopted its own 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 to the Listing Rules.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2017.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Annual General Meeting

The 2018 AGM will be held on 9 May 2018 (Wednesday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Final Dividend

At the Board meeting held on 2 March 2018 (Friday), the Directors proposed that a final dividend ("**Final Dividend**") of HKD0.16 (equivalent to RMB0.13) per ordinary share for the year ended 31 December 2017, amounting to approximately HKD1,526 million (equivalent to RMB1,235 million) be paid no later than 13 July 2018 (Friday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 16 May 2018 (Wednesday). The proposed Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on 9 May 2018 (Wednesday).

Closure of Register of Members and Record Date

(a) For determining the entitlement to attend and vote at the 2018 AGM

The Company's register of members will be closed from 4 May 2018 (Friday) to 9 May 2018 (Wednesday), both dates inclusive, during which period no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the 2018 AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 3 May 2018 (Thursday).

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

The proposed Final Dividend is subject to the approval of the shareholders at the 2018 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 16 May 2018 (Wednesday). Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 16 May 2018 (Wednesday).

Publication of 2017 Final Results and Annual Report of the Company

The final results announcement of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunartretail.com). The Annual Report of the Company for the year ended 31 December 2017 will be dispatched to the shareholders of the Company and make available for review on the aforesaid websites in due course.

DISCONTINUATION OF PUBLICATION OF QUARTERLY RESULTS

The Board further announces that the Company will discontinue the announcement and publication of the quarterly financial results for the first three-month and nine-month periods of each financial year for the Group starting from the first quarter of 2018, in order to reduce the legal costs and administrative expenses of the Group in connection therewith, as well as to allow the Group to devote more resources towards the development of its business strategy. The Company would not have commenced the practice of publishing quarterly results but for the legal and regulatory requirements under the Taiwan Securities and Exchange Act which is applicable to Ruentex Industries Limited and Ruentex Development Co., Ltd., both being companies listed on the Taiwan

Stock Exchange Corporation (together with Kofu International Limited and Concord Greater China Limited, "**Ruentex Group**"). Ruentex Group ceased to be a controlling shareholder (as defined in the Listing Rules) of the Company following the sale of its interest in the Company to Taobao China Holding Limited. As a result, Ruentex Group no longer includes the result of the Group in its quarterly announcement. Based on the above, the Board considers that this arrangement is in the best interest of the Group with its rapidly developing business.

The Company will continue to announce and publish its interim and annual results and reports in accordance with the requirements of the Listing Rules.

The Company will also continue to engage in timely and active communications with and provide access to its shareholders and potential investors. The Board believes that the discontinuation of quarterly results will not compromise or prejudice the interests of the Company's shareholders and potential investors.

By order of the Board
Sun Art Retail Group Limited
Ludovic, Frédéric, Pierre HOLINIER
Executive Director
and
Chief Executive Officer

For purpose of this announcement, the exchange rate of HKD1 = RMB0.8094 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

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

Executive Director:
Ludovic, Frédéric, Pierre HOLINIER *(Chief Executive Officer)*

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

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

Hong Kong, 2 March 2018