SUN ART RETAIL GROUP LIMITED
高鑫零售有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 6808)

FINANCIAL RESULTS ANNOUNCEMENT FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2021

HIGHLIGHTS OF ANNUAL RESULTS

	For the fifteen months ended 31 March 2021	For the year ended 31 December 2019	**Change**
	RMB million		
Revenue	**124,334**	95,357	30.4%
Gross Profit	**31,087**	25,731	20.8%
Profit from Operations	**5,757**	4,890	17.7%
Profit for the Period/Year	**3,771**	3,045	23.8%
Profit Attributable to Equity Shareholders of the Company	**3,572**	2,834	26.0%
Earnings Per Share (“**EPS**”) – Basic and diluted (1)	**RMB0.37**	RMB0.30	

	At 31 March 2021	At 31 December 2019	**Change**
	RMB million		
Total Assets	**69,227**	71,186	(2.8)%
Total Liabilities	**41,373**	45,828	(9.7)%
Net Assets	**27,854**	25,358	9.8%
Net Cash Position (2)	**20,116**	13,267	51.6%

Notes:

(1) The calculation of basic and diluted EPS for the fifteen months ended 31 March 2021 and for the year ended 31 December 2019 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the periods.

(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 bank loans.

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 fifteen months ended 31 March 2021, together with the comparative figures for the year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the fifteen months ended 31 March 2021 – Audited

	Notes	**For the fifteen months ended 31 March 2021** *RMB million*	For the year ended 31 December 2019 *RMB million*
Revenue	*4*	**124,334**	95,357
Cost of sales		**(93,247)**	(69,626)
Gross profit		**31,087**	25,731
Other income	*5*	**2,065**	1,489
Operating costs		**(24,204)**	(19,523)
Administrative expenses		**(3,191)**	(2,807)
Profit from operations		**5,757**	4,890
Finance costs	*6(a)*	**(680)**	(623)
Share of results of associates and joint ventures		**(3)**	(15)
Profit before taxation	*6*	**5,074**	4,252
Income tax	*7(a)*	**(1,303)**	(1,207)
Profit for the period/year		**3,771**	3,045
Other comprehensive income for the period/year		**–**	–
Total comprehensive income for the period/year		**3,771**	3,045
Profit attributable to:			
Equity shareholders of the Company		**3,572**	2,834
Non-controlling interests		**199**	211
Profit for the period/year		**3,771**	3,045
Total comprehensive income attributable to:			
Equity shareholders of the Company		**3,572**	2,834
Non-controlling interests		**199**	211
Total comprehensive income for the period/year		**3,771**	3,045
Earnings per share			
Basic and diluted	*8*	**RMB0.37**	RMB0.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021 – Audited

	Notes	**At 31 March 2021 RMB million**	At 31 December 2019 *RMB million*
Non-current assets			
Investment properties		**6,239**	6,699
Other property, plant and equipment		**27,149**	28,572
		33,388	35,271
Intangible assets		**29**	25
Goodwill		**140**	99
Equity-accounted investees		**2**	17
Deferred tax assets		**1,126**	1,052
		34,685	36,464
Current assets			
Inventories	*10*	**9,990**	17,724
Trade and other receivables	*11*	**3,267**	2,962
Time deposits		**18**	16
Restricted deposits		**1,169**	769
Financial assets measured at FVPL	*12*	**12,002**	–
Cash and cash equivalents	*13*	**8,096**	13,251
		34,542	34,722
Current liabilities			
Trade and other payables	*14*	**20,644**	25,827
Lease liabilities	*15*	**1,169**	1,057
Contract liabilities	*16*	**11,984**	10,669
Income tax payables	*7(c)*	**319**	459
		34,116	38,012
Net current assets/(liabilities)		**426**	(3,290)
Total assets less current liabilities		**35,111**	33,174

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2021 – Audited

	Note	**At 31 March 2021** ***RMB million***	At 31 December 2019 *RMB million*
Non-current liabilities			
Lease liabilities	*15*	**6,882**	7,511
Other financial liabilities		**50**	50
Deferred tax liabilities		**325**	255
		7,257	7,816
Net assets		**27,854**	25,358
Capital and reserves			
Share capital		**10,020**	10,020
Reserves		**16,203**	13,905
Total equity attributable to equity shareholders of the Company		**26,223**	23,925
Non-controlling interests		**1,631**	1,433
Total equity		**27,854**	25,358

NOTES:

*(Expressed in Renminbi ("**RMB**") unless otherwise stated)*

1. STATEMENT OF COMPLIANCE

Sun Art Retail Group Limited 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.

On 22 December 2020, the Company announced to change its financial year end date from 31 December to 31 March to enable better operational alignment between the Company and Alibaba Group, the ultimate holding company, and to facilitate the synergy across all functions within the Alibaba Group. Accordingly, the current financial year covers a fifteen-month period from 1 January 2020 to 31 March 2021 with the comparative financial period from 1 January 2019 to 31 December 2019.

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 Stock Exchange.

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

The financial information relating to the fifteen months ended 31 March 2021 and year ended 31 December 2019 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 2019 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 fifteen months ended 31 March 2021 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 section 406(2), 407(2) or (3) of the Companies Ordinance.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the fifteen months ended 31 March 2021 comprise the Group and the Group's interest in associates and joint ventures.

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

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

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

3. CHANGE IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

Amendments to HKFRS 3, *Definition of a business*
Amendment to HKFRS 16, *Covid-19-related rent concessions*

Other than the above amendments, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, *Definition of a business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The amendments to HKFRS 3 do not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this announcement of annual results.

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the fifteen months ended 31 March 2021. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

4. REVENUE AND SEGMENT REPORTING

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

The Group is organised, for management purpose, into business units based on the banner under which the 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 located in the PRC, have similar economic characteristics, and are similar in respect of products and services provided and customer type, the Group has one reportable operating segment which is the operation of brick-and-mortar stores and online sales channels in the PRC.

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

	For the fifteen months ended 31 March 2021	For the year ended 31 December 2019
	RMB million	*RMB million*
Revenue from contracts with customers within the scope of HKFRS 15 – sales of goods	**119,839**	91,279
Revenue from other sources		
gross rents from property leases		
– lease payments that are fixed or depend on an index or a rate	**4,169**	3,790
– variable lease payments that do not depend on an index or a rate	**326**	288
	124,334	95,357

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

5. OTHER INCOME

	For the fifteen months ended 31 March 2021 *RMB million*	For the year ended 31 December 2019 *RMB million*
Income from aged unutilised prepaid cards	**278**	192
Service income	**525**	486
Disposal of packaging materials	**176**	167
Interest income on financial assets measured at amortised cost	**393**	462
Gain on financial assets measured at FVPL	**265**	–
Net gain from sale of investment property	**10**	–
Government grants	**418**	182
	2,065	1,489

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the fifteen months ended 31 March 2021 *RMB million*	For the year ended 31 December 2019 *RMB million*
Interest expense on other financial liabilities	**12**	8
Interest on lease liabilities	**668**	615
	680	623

(b) Staff costs

	For the fifteen months ended 31 March 2021 RMB million	For the year ended 31 December 2019 RMB million
Salaries, wages and other benefits	**11,851**	9,255
Contributions to defined contribution retirement plans *(i)*	**687**	1,062
Contributions to Employee Trust Benefit Schemes *(ii)*	**479**	372
Share-based payments	**–**	(20)
	13,017	10,669

(i) Contributions to defined contribution retirement plans

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

(ii) Contributions to Employee Trust Benefit Schemes

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

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

Any excess of the capital injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired is credited to capital reserve within equity of the Group.

(c) **Other items**

	For the fifteen months ended 31 March 2021	For the year ended 31 December 2019
	RMB million	*RMB million*
Cost of inventories	**93,163**	69,584
Depreciation		
– owned property, plant and equipment	**3,464**	2,944
– right-of-use assets	**1,606**	1,438
	5,070	4,382
Amortisation cost of intangible assets	**19**	22
Impairment losses		
– other property, plant and equipment, including right-of-use assets	**354**	197
– intangible assets	**–**	1
– investment in an associate	**–**	12
	354	210
Lease payments not included in the measurement of lease liabilities relating to:		
– variable leases	**1,109**	811
– short-term leases and leases of low value assets	**558**	390
	1,667	1,201
Loss on disposal of property, plant and equipment and intangible assets including disposal of right-of-use assets and lease liabilities	**16**	30
Net foreign exchange loss/(gain)	**16**	(25)
Auditors' remuneration		
– audit services	**24**	24
– non-audit services	**1**	1
Donations	**6**	–
Rental income from property leases		
– gross rental income (including property management fee)	**(4,495)**	(4,078)
– direct operating expenses	**84**	42
Net rental income from property leases	**(4,411)**	(4,036)

7. INCOME TAX

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

	For the fifteen months ended 31 March 2021 *RMB million*	For the year ended 31 December 2019 *RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the period *(i)*	4	2
Current tax – PRC income tax		
Provision for the period	1,286	1,273
Under/(over) provision in respect of prior years	17	(6)
Deferred tax		
Origination of temporary differences, net	(4)	(62)
	1,303	1,207

(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 (2019: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) PRC subsidiaries are subject to income tax at 25% for the fifteen months ended 31 March 2021 (year ended 31 December 2019: 25%) under the Enterprise Income Tax law ("**EIT law**").

Pursuant to the related regulations in respect of the Notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2011] No.58) jointly issued by the Ministry of Finance, the General Administration of Customers and the State Administration of Taxation, and the Announcement on Continuation of Corporate Income Tax Policies for Exploration and Development of Western Region (Announcement [2020] No.23) jointly issued by Ministry of Finance, the State Administration of Taxation and National Development and Reform Commission, five PRC subsidiaries of the Group are entitled to a preferential income tax rate of 15% for the fifteen months ended 31 March 2021 and for the years ended 31 December 2019.

Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No.13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, for the portion of annual taxable income which does not exceed RMB1 million, income tax shall be calculated at 25% of the annual taxable income using the tax rate of 20%; for the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), income tax shall be calculated at 50% of the annual taxable income using the tax rate of 20%. Approximately 5% of PRC subsidiaries of the Group enjoy this preferential income tax treatment during the fifteen months ended 31 March 2021.

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

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

The Group has provided RMB57 million withholding tax in relation to the dividends declared by certain of its subsidiaries to outside of the Mainland of China for fifteen months ended 31 March 2021 (year ended 31 December 2019: RMB62 million).

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

(iv) The deferred tax assets/(liabilities) recognised in the consolidated statements of financial position at the end of current and previous reporting period are arising from depreciation charges on investment properties and other property, plant and equipment including right-of-use assets, income recognised from aged unutilised prepaid cards, accruals and other timing differences from the respective tax bases.

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

	For the fifteen months ended 31 March 2021 *RMB million*	For the year ended 31 December 2019 *RMB million*
Profit before taxation	5,074	4,252
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	1,269	1,063
Non-deductible expenses, less non-assessable income	13	28
PRC dividend withholding tax	57	62
Current year losses for which no deferred tax asset was recognised	232	224
Temporary differences for which no deferred tax asset was recognised	30	25
Utilisation of previously unrecognised tax losses	(133)	(61)
Utilisation of previously unrecognised temporary differences	(56)	(43)
Recognition of previously unrecognised tax losses	(132)	(59)
Recognition of previously unrecognised temporary differences	(6)	(25)
Reversal of previously recognised deferred tax assets	28	16
Statutory tax concession	(16)	(17)
Under/(over) provision in respect of prior years	17	(6)
Actual tax expenses	1,303	1,207

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

	For the fifteen months ended 31 March 2021 *RMB million*	For the year ended 31 December 2019 *RMB million*
Balance at beginning of the year	459	549
Under/(over) provision in respect of prior years	17	(6)
Provision for current income tax for the year	1,290	1,275
Payment during the year	(1,447)	(1,359)
	319	459

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB3,572 million (year ended 31 December 2019: RMB2,834 million) and the weighted average of 9,539,704,700 ordinary shares (year ended 31 December 2019: 9,539,704,700 ordinary shares) in issue during the fifteen months ended 31 March 2021.

There were no dilutive potential ordinary shares during the fifteen months ended 31 March 2021 and year ended 31 December 2019 and therefore diluted earnings per share is equivalent to basic earnings per share.

9. DIVIDENDS

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

	For the fifteen months ended 31 March 2021 *RMB million*	For the year ended 31 December 2019 *RMB million*
Final dividend proposed after the end of the reporting period of HKD0.13 (equivalent to RMB0.11) per ordinary share (2019: HKD0.15 (equivalent to RMB0.14) per ordinary share)	1,032	1,290

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 HKD0.15 (equivalent to RMB0.14) per ordinary share in respect of the year ended 31 December 2019 was approved on 12 May 2020, and payments were made on 15 June 2020 for an amount equivalent to RMB1,310 million.

A final dividend of HKD0.14 (equivalent to RMB0.12) per ordinary share in respect of the year ended 31 December 2018 was approved on 17 May 2019, and payments were made on 14 June 2019 for an amount equivalent to RMB1,171 million.

10. INVENTORIES

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

	At 31 March 2021 *RMB million*	At 31 December 2019 *RMB million*
Trading merchandise	9,990	17,724

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

	For the fifteen months ended 31 March 2021 *RMB million*	For the year ended 31 December 2019 *RMB million*
Carrying amount of inventories sold	**93,100**	69,614
Write down of inventories/(reversal of write down)	**63**	(30)
	93,163	69,584

All inventories are expected to be sold within one year.

11. TRADE AND OTHER RECEIVABLES

	At 31 March 2021 *RMB million*	At 31 December 2019 *RMB million*
Trade receivables	**474**	423
Amounts due from related parties	**894**	333
Value-added tax recoverable	**615**	1,049
Prepayments:		
– rentals	**520**	345
– property, plant and equipment and intangible assets	**16**	74
Other debtors	**748**	738
Trade and other receivables	**3,267**	2,962

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

Rental prepayments mainly represent variable lease payments and deposits which may be offset against future rentals due to landlords of brick-and-mortar store premises leased by the Group in accordance with the relevant lease agreements.

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

12. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March 2021, the Group had principal-guaranteed structured deposits in place with commercial banks in the PRC. Certain structured deposits with aggregate principal amount of RMB11,934 million and a net unrealised gain of RMB68 million are designated as financial products measured at FVPL at inception as their contractual cash flows are not solely payments for principal and interest.

13. CASH AND CASH EQUIVALENTS

	At 31 March 2021	At 31 December 2019
	RMB million	*RMB million*
Deposits with banks within three months of maturity	**710**	875
Cash at bank and on hand	**7,279**	4,324
Other financial assets and cash equivalents	**107**	8,052
Cash and cash equivalents in the consolidated statement of financial position	**8,096**	13,251

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

14. TRADE AND OTHER PAYABLES

	At 31 March 2021	At 31 December 2019
	RMB million	*RMB million*
Trade payables	**13,250**	18,267
Amounts due to related parties	**311**	217
Construction costs payable	**1,259**	902
Dividends payable to non-controlling interest	**100**	202
Accruals and other payables	**5,724**	6,239
	20,644	25,827

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

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

	At 31 March 2021 *RMB million*	At 31 December 2019 *RMB million*
Within six months	**13,025**	17,999
After six months but within 12 months	**225**	268
	13,250	18,267

15. LEASE LIABILITIES

The remaining maturities of the Group's lease liabilities at the end of the reporting periods are as follows:

	At 31 March 2021		At 31 December 2019	
	Present value of the minimum lease payments *RMB million*	**Total minimum lease payments** *RMB million*	Present value of the minimum lease payments *RMB million*	Total minimum lease payments *RMB million*
Within 1 year	**1,169**	**1,748**	1,057	1,634
After 1 year but within 2 years	**1,111**	**1,587**	1,099	1,563
After 2 years but within 5 years	**2,353**	**3,340**	2,442	3,504
After 5 years	**3,418**	**4,132**	3,970	5,290
	6,882	**9,059**	7,511	10,357
	8,051	**10,807**	8,568	11,991
Less: Total future interest expenses		**(2,756)**		(3,423)
Present value of lease liabilities		**8,051**		8,568

16. CONTRACT LIABILITIES

	At 31 March 2021 *RMB million*	At 31 December 2019 *RMB million*
Prepaid cards	**11,716**	9,944
Advance receipts from customers for sales of merchandise	**242**	705
Customer loyalty program points liability	**26**	20
Contract liabilities	**11,984**	10,669

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For comparison purpose, major indicators of the financial results for the fifteen months ended 31 March 2021 and 31 March 2020 (unaudited) are summarised in the tables below:

	For the fifteen months ended	
	31 March 2021	31 March 2020
	RMB million	*RMB million* (Unaudited)
Revenue	**124,334**	126,883
– Revenue from sales of goods	**119,839**	121,939
– Rental income from tenants	**4,495**	4,944
Cost of sales	**(93,247)**	(93,913)
Gross profit	**31,087**	32,970
Other income	**2,065**	1,899
Operating costs	**(24,204)**	(24,359)
Administrative expenses	**(3,191)**	(3,467)
Profit from operations	**5,757**	7,043
Finance costs	**(680)**	(766)
Share of result of associates and joint ventures	**(3)**	(14)
Profit before taxation	**5,074**	6,263
Income tax	**(1,303)**	(1,741)
Profit for the period	**3,771**	4,522
Profit Attributable to:		
Equity Shareholders of the Company	**3,572**	4,223
Non-Controlling Interests	**199**	299

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 space in brick-and-mortar store complexes to operators of businesses that the Group believes are complementary to the stores.

For the fifteen months ended 31 March 2021, revenue from sales of goods was RMB119,839 million, representing a decrease of RMB2,100 million, or 1.7%, from RMB121,939 million for the corresponding period ended 31 March 2020.

For the fifteen months ended 31 March 2021, the Same Store Sales Growth[(1)] ("**SSSG**") calculated based on sales of goods excluding electronic appliances was -1.8%. The sales from the Group's offline business mainly hypermarkets was quite challenging due to the post-pandemic impact and fierce competition, while the Group's online Business to Customer (the "**B2C**") business, primarily through the Taoxianda and Tmall platforms, achieved significant progress and compensate for the Group's sales.

During the period from 1 January 2020 to 31 March 2021, the Group continued to expand in various areas of China and opened 10 new hypermarkets, three superstores and 32 mini stores. The operation of those new stores contributed to additional sales for the fifteen months ended 31 March 2021.

For the fifteen months ended 31 March 2021, revenue from rental income was RMB4,495 million, representing a decrease of RMB449 million, or 9.1%, from RMB4,944 million for the corresponding period ended 31 March 2020. The rental income from certain tenants with suspended operation was waived during the pandemic. After continuing improvement of the vacancy rate in the Group's gallery space, the Group's rental income in post-pandemic period has been quickly recovered to the horizon before pandemic with a smaller gap.

Gross Profit

For the fifteen months ended 31 March 2021, gross profit was RMB31,087 million, representing a decrease of RMB1,883 million, or 5.7%, from RMB32,970 million for the corresponding period ended 31 March 2020. The gross profit margin for the fifteen months ended 31 March 2021 was 25.0%, representing a decrease of 1 percentage point from 26.0% for the corresponding period ended 31 March 2020.

The decrease in gross profit resulted from (i) the decrease in revenue from sales of goods during the first quarter ended 31 March 2021; (ii) the reduction in the rental income collected; and (iii) growth in the proportion of online business and change in channel mix during the fifteen months ended 31 March 2021 following the change in consumption habits of customers since the pandemic started.

Notes:

(1) Same Store Sales Growth: The growth rate of sales of stores opened before 31 March 2020. It is calculated by comparing the sales derived from those stores during their operating periods in the fifteen months ended 31 March 2021 with sales during the corresponding period ended 31 March 2020.

Other Income

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

For the fifteen months ended 31 March 2021, other income was RMB2,065 million, representing an increase of RMB166 million, or 8.7%, from RMB1,899 million for the corresponding period ended 31 March 2020. The increase was primarily attributable to (i) an increase of government grants related to employment stabilization received during the pandemic; and (ii) an increase of income from financial assets which was mainly related to increased net cash position during the period.

Operating Costs

Operating costs represent the costs attributable to the operations of the stores and online to offline ("**O2O**") business. Operating costs 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 fifteen months ended 31 March 2021, operating costs were RMB24,204 million, representing a decrease of RMB155 million, or 0.6%, from RMB24,359 million for the corresponding period ended 31 March 2020.

The continuous development of the business including the on-going expansion of the brick-and-mortar store network and the development of the O2O business required investment in personnel and other related projects. The Group also followed government guidance on the increase in the minimum wage for staff. These developments brought additional operating costs. At the same time, the Group received reductions and exemptions in the payment of certain social welfare items, which resulted in a decrease in social welfare costs.

The amount of operating costs for the fifteen months ended 31 March 2021 as a percentage of total revenue was 19.5%, representing an increase of 0.3 percentage points, from 19.2% for the corresponding period ended 31 March 2020.

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 fifteen months ended 31 March 2021, administrative expenses were RMB3,191 million, representing a decrease of RMB276 million, or 8.0%, from RMB3,467 million for the corresponding period ended 31 March 2020. The integration between the two banners improved head office efficiency and helped reduce administrative expenses at the head offices. Meanwhile, the exemption in social welfare items mentioned above also contribute to the decrease in administrative expenses.

The amount of administrative expenses for the fifteen months ended 31 March 2021 as a percentage of total revenue was 2.6%, representing a decrease of 0.1 percentage point, from 2.7% for the corresponding period ended 31 March 2020.

Profit from Operations

For the fifteen months ended 31 March 2021, the profit from operations was RMB5,757 million, representing a decrease of RMB1,286 million, or 18.3%, from RMB7,043 million for the corresponding period ended 31 March 2020.

The operating margin during the fifteen months ended 31 March 2021 was 4.6%, a decrease of 1 percentage point, from 5.6% for the corresponding period ended 31 March 2020.

Finance Costs

Finance costs primarily consist of interest expenses on other financial liabilities and lease liabilities. For the fifteen months ended 31 March 2021, the finance costs were RMB680 million, representing a decrease of RMB86 million, or 11.2%, from RMB766 million for the corresponding period ended 31 March 2020. The decrease was related to the reduced balance of lease liabilities.

Income Tax

For the fifteen months ended 31 March 2021, income tax expenses were RMB1,303 million, representing a decrease of RMB438 million, or 25.2%, from RMB1,741 million for the corresponding period ended 31 March 2020.

The related effective tax rate for the fifteen months ended 31 March 2021 was 25.7%, a decrease of 2.1 percentage points from 27.8% for the corresponding period ended 31 March 2020. The decrease in effective tax rate was attributable to the utilisation of previously unrecognised tax losses generated by certain legal entities, which were established in prior years since those legal entities commenced generating profits to recover those losses.

Profit for the Period

For the fifteen months ended 31 March 2021, profit for the period was RMB3,771 million, representing a decrease of RMB751 million, or 16.6%, from RMB4,522 million for the corresponding period ended 31 March 2020.

The net profit margin for the fifteen months ended 31 March 2021 was 3.0%, decreasing by 0.6 percentage point, from 3.6% of the corresponding period ended 31 March 2020. The decrease was primarily attributable to the net impact of decrease in operating margin and lower effective tax rate.

Profit Attributable to Equity Shareholders of the Company

For the fifteen months ended 31 March 2021, the profit attributable to equity shareholders of the Company was RMB3,572 million, representing a decrease of RMB651 million, or 15.4%, from RMB4,223 million for the corresponding period ended 31 March 2020.

Profit Attributable to Non-Controlling Interests

For the fifteen months ended 31 March 2021, the profit attributable to non-controlling interests was RMB199 million, representing a decrease of RMB100 million, or 33.4%, from RMB299 million for the corresponding period ended 31 March 2020. The profit 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 two of the Group's subsidiaries, People's RT-Mart Limited Jinan and Fields Hong Kong Limited ("**Fields HK**"); (iii) the interest held by Oney Bank S.A. ("**Oney Bank**") in Oney Accord Business Consulting (Shanghai) Co., Ltd. ("**Oney Accord**"); and (iv) the interest held by Hema (China) Co., Ltd. in Shanghai Run He Internet Technology Co., Ltd.

Liquidity and Financial Resources

As of 31 March 2021, the net current assets were RMB426 million compared with the net current liabilities RMB1,214 million as of 31 March 2020. This change was primarily attributed to (i) an increase in the current assets of RMB1,876 million, which was mainly from the increase in the combined balance of financial assets measured at FVPL and cash and cash equivalents; and (ii) an increase in current liabilities of RMB236 million mainly from the increased balance of contract liabilities.

For the fifteen months ended 31 March 2021, 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 past 15 months, were 60 days and 74 days, respectively, compared to 59 days and 79 days for the corresponding period ended 31 March 2020.

During the fifteen months ended 31 March 2021, the Group incurred capital expenditure of RMB2,918 million, primarily in respect of new store developments, store remodeling and digitalization.

BUSINESS REVIEW

Operating Environment

During 2020, despite the impact of COVID-19, China's gross domestic product ("**GDP**") achieved positive growth, exceeding RMB100 trillion for the first time. With a stable recovery trend since 2020 and a lower base of comparison in the same period last year, China's GDP in the first quarter of 2021 increased by 18.3% to approximately RMB24,931.0 billion. The overall consumer price index ("**CPI**") was flat compared to the first quarter of 2020, of which the food CPI was up by 0.2%.

In the first quarter of 2021, the pork CPI decreased by 12.5% (recovering pork production and a higher base of comparison in the same period, the pork CPI continued to decrease since the fourth quarter of 2020), resulting in a decrease of meat CPI by 5.7%, of which the beef CPI increased by 3.6% and the lamb CPI increased by 7.5%. The non-food CPI observed a decrease of 0.1%.

In the first quarter of 2021, total retail sales of consumer goods in China amounted to RMB10,522.1 billion, representing a year-on-year increase of 33.9%. In March 2021, total retail sales of consumer goods increased by 12.9% over March 2019. The growth of the consumer market is still in the process of resuming.

Sales of catering services amounted to RMB1,059.6 billion, representing an increase of 75.8%. National online retail sales reached RMB2,809.3 billion, increasing by 29.9%. Online physical goods retail sales amounted to RMB2,306.7 billion, representing an increase of 25.8%, and contributed to 21.9% of total retail sales.

Keep continuous effort in hypermarkets remodeling to become customers' offline experience centers and logistics fulfillment centers of online business

The Group has started its hypermarket remodeling initiative since 2019. As of 31 March 2021, 38 hypermarkets were remodelled. In the future, the number of stores being remodelled is expected to be around 40 to 50 per year.

– Focus on the construction of core categories –

The remodeling of hypermarkets will attach more importance to the upgrading of core categories and focus on the categories that cannot be replaced online. The Group will endeavour to increase the penetration rate of core categories and further strengthen its commodity operation capability. By leveraging the scenario-based display, the Group will carry out the design of stores which is more scenario-based and experiential-oriented to create reasons for customers' in-store shopping.

– Remodeling of galleries –

The Group will redefine the functions of galleries by introducing more catering, service and entertainment merchants so as to complement its hypermarkets and become community activity centers for customers. It is expected that galleries can attract customers to hypermarkets rather than acquire traffic from them as was the case previously.

– Improve the efficiency of store warehouses and establish the functions of warehouse-based stores –

With the continuous development of online business, offline stores are not only customer experience centers but also logistics fulfillment centers. The Group has high-quality assets of nearly 500 stores, and will make full use of the stores' abundant products to enhance the functions of store warehouses, with the purpose of reducing fulfillment costs and supporting the development of B2C business. At the same time, the Group will establish the functions of warehouse-based stores and support B2B and CGB businesses in order to form the sustainable business model.

By taking full advantage of commodity supply chain and the store network in more than 230 cities, the Group will provide customers with better products, prices and service experience.

Accelerate the development of multi-format and omni-channel

The Group's superstore model is basically mature. The Group will accelerate the store expansion in different cities and business districts flexibly.

The rollout of mini stores derives from customers' increasing demand for convenience and reduced living circle. Relying on the existing scale of hypermarkets and core strengths of organization capability, the Group will invest in the construction of warehouses for fresh products to serve the multi-format and omni-channel business development within the coverage area. The purpose is to develop fresh products processing capability via economies of scale and support RT Mini's regional expansion.

In the future, superstores and mini stores will be two core drivers of the Group's revenue growth. Through small, medium and large store formats, the Group also expects to form the ground network in cities and city groups and combine this with Alibaba Group's online network so as to serve more customers with high-quality goods and prices.

Deeper cooperation with Alibaba Group, RT-Mart becomes different because of Alibaba Group, Alibaba Group becomes different because of RT-Mart

– Continue to invest in online business to achieve user growth –

In the first quarter ("**Q1**") of 2021, the Daily Order per Store ("**DOPS**") of one-hour-delivery business was nearly 1,100, an increase of more than 40% over the same period last year. The ticket size was RMB68 per order, representing an increase about 6% over the same period in 2019.

Faced with fierce peer competition, the Group will increase its investment in the B2C business, carry out deeper cooperation with platforms such as Taoxianda and Ele.me, and focus on user growth and user experience to become a first-tier E-commerce player of fresh products.

– Enhance product power, give full play to the Group's supply chain capability and become important core supply of Alibaba Group –

The Group launched the Tmall Supermarket Inventory Sharing ("**Tmall Inventory Sharing**") initiative in 2019. After two years' operation, it has experienced rapid development. Being the core supplier of Tmall Inventory Sharing, the Group will take full advantage of stores, products and supply chain to provide it with dedicated offerings and accelerate the development via in-depth cooperation.

The Group will also be an important core supplier of Alibaba Group's Community Group Buying ("**CGB**") business. This business cooperation will become an important driver of the Group's revenue growth. By giving full play to the Group's advantage of supply chain and the ground network, the cooperation also contributes to expanding the Group's procurement scale and developing the core competence of supply chain to serve the Group's omni-channel business.

The Group will continue to cooperate with Cainiao Pick-up Station as the core channel service provider of the Group's CGB business. By taking full advantage of the channel network and unique buying initiators resources, the Group will reach more consumers with a differentiated CGB model.

In fiscal year 2022, by taking advantage of procurement scale and business channels, the Group will enhance product power and supply chain capability, and form cross-era capabilities with combination of Alibaba Group's online operation capability and user volume.

Expansion Status

During the fifteen months ended 31 March 2021, the Group opened 10 hypermarkets, three superstores and 32 mini stores. Among the new hypermarkets and superstores, two were located in Eastern China, three were located in Northern China, one was located in Northeastern China, one was located in Central China and six were located in Southern China. During the period under review, the Group closed three stores in Eastern China.

As of 31 March 2021, the Group had a total of 490 hypermarkets and six superstores in China with a total gross floor area ("**GFA**") of approximately 13.21 million square meters. Approximately 70.4% of the GFA was operated as leased space, and 29.6% of the GFA was in self-owned properties. Please refer to note 1 below for definitions of regional zones.

As of 31 March 2021, approximately 7.5% of the Group's hypermarkets and superstores were located in first-tier cities, 16.5% in second-tier cities, 46.2% in third-tier cities, 21.8% in fourth-tier cities and 8.0% in fifth-tier cities. Please refer to note 2 below for definitions of tiers.

As of 31 March 2021, through the execution of lease contracts or acquisition of land plots, the Group had identified and secured 27 sites to open hypermarkets, of which 22 were under construction.

Region	Number of Brick-and-Mortar Stores (As of 31 March 2021)					Total GFA of Brick-and-Mortar Stores (sq.m.) (As of 31 March 2021)				
	Hypermarket	Superstore	Mini Store	Total	Percentage	Hypermarket	Superstore	Mini Store	Total	Percentage
Eastern China	187	4	31	222	42%	5,387,333	51,895	7,424	5,446,652	41%
Northern China	52	1	–	53	10%	1,308,825	10,283	–	1,319,108	10%
Northeastern China	52	1	–	53	10%	1,446,005	5,850	–	1,451,855	11%
Southern China	96	–	–	96	18%	2,324,096	–	–	2,324,096	18%
Central China	77	–	1	78	15%	1,958,627	–	570	1,959,197	15%
Western China	26	–	–	26	5%	719,759	–	–	719,759	5%
Total	**490**	**6**	**32**	**528**	**100%**	**13,144,645**	**68,028**	**7,994**	**13,220,667**	**100%**

Notes:

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

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

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

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

Human Resources

As of 31 March 2021, the Group had 123,449 employees.

Since the middle of last year, the Group has implemented the Flexible Organization project in stores nationwide, with the purpose of improving human efficiency, reducing personnel costs and increasing the Group's competitiveness on the premise to ensure operation and service quality.

During the pandemic period, the Group's company university took great efforts to develop the online training system with more than 1,000 online courses and more than two million online training participants throughout the year. With the improvement of online training capabilities, part of the offline training is planned to be transferred to online, which will greatly reduce training costs, improve training efficiency and enrich training contents.

The year 2020 is a year of executive succession. The management team of the Group is fully integrated and smoothly transitioned.

The year 2020 is also a year to parallel the Group's innovative initiatives. The Group will cement the organization and mechanism for each innovative initiative to ensure that the strategy of multi-formats and omni-channel will be fully implemented.

Outlook

After more than 20 years, the Group has laid a solid foundation in the supply chain and store network. The existing stores are the Group's valuable assets which we believe our competitors find difficult to match. It is because of these infrastructures that the Group has more chances of success than its peers.

Sun Art also keeps changing, breaking through and innovating based on the previous foundation of digital transformation and accumulated multi-channel capabilities. Although the shopping scenarios are more diversified, the principle of customer first remains unchanged. To understand and meet the needs of customers is the Group's top priority. The Group should return to the initial intention, adhere to the originality, and continue to innovate.

The Group expects that 2022 fiscal year will see the most new investments and new launches of business initiatives so far. At the same time, facing increasingly fierce competition, the Group will be more proactive in facing challenges. The Group will focus on the investments in user experience, new business formats and fresh products processing capability so as to position itself for long-term revenue growth in the future.

The cooperation with Alibaba Group's CGB business is a good opportunity for the Group to expand procurement scale, improve category operation capability and core competitiveness of supply chain. Furthermore, it is the first step towards in-depth cooperation between the two large systems. In the future, Sun Art stores will become customers' offline experience centres and logistics fulfilment centers of online business, The B2C business will be developed as the world's leading e-commerce player of fresh products. Sun Art has completely surpassed the scope of the traditional hypermarket and has developed towards a more diversified direction. It will become a benchmark for new retail.

Four years ago, Alibaba Group became a strategic shareholder of the Group. In October 2020, Alibaba Group became the controlling shareholder of the Group. As Mr. Daniel Zhang said, "RT-Mart is different because of Alibaba Group and Alibaba Group is different because of RT-Mart". In the future, the Group will introduce more resources from Alibaba Group and leverage the Group's advantage to develop cross-era capabilities.

OTHER INFORMATION

Corporate Governance

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 regularly reviews its organizational structure to ensure its operations are in line with good corporate governance practices as set out in the CG Code and align 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 fifteen months ended 31 March 2021, save and except for the deviation of code provisions A.2.1 and C.3.7(a) of the CG Code.

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Since the appointment of Mr. HUANG Ming-Tuan on 17 October 2020 as the Chairman of the Board, the positions of Chairman and Chief Executive Officer of the Company were held by the same person. With effect from 10 May 2021, and with the appointment of Mr. LIN Xiaohai as the Chief Executive Officer of the Company on the same date, the positions of Chief Executive Officer and Chairman are held by Mr. LIN Xiaohai and Mr. HUANG Ming-Tuan respectively and the Company has complied with the code provision A.2.1 of the CG Code.

Code provision C.3.7(a) provides that under the terms of reference of 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 has not established any formal arrangement for employees to raise concern about possible improprieties in financial reporting, internal control or other matters. However, in practice, employees have direct access to the internal audit department via either a telephone line or a mailbox. In addition, they have direct access by email to the Executive Director and the senior management. The Directors regularly receive and review monthly financial reports. The Directors, through the Audit Committee, meet quarterly with the Group's internal audit function, whose main responsibility is to review the internal control system of the Group. The Directors consider that the lack of such arrangements will not have a material effect on the functions of financial reporting, internal control or other related matters. The internal audit department, the Audit Committee and the Board will discuss 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 fifteen months ended 31 March 2021.

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 to 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 four Non-Executive Directors, three of whom are independent. The members currently are Mr. XU Hong, Ms. Karen Yifen CHANG, Mr. Dieter YIH and Mr. Charles Sheung Wai CHAN, an Independent Non-Executive Director, being the Chairman of the Audit Committee. 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 fifteen months ended 31 March 2021.

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, consider and assess the possible contribution to be brought by the individual to the diversity of the Board and make recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee currently consists of four Non-Executive Directors, three of whom are independent. The members currently are Mr. XU Hong, Ms. Karen Yifen CHANG, Mr. Charles Sheung Wai CHAN and Mr. Dieter YIH, an Independent Non-Executive Director, being the Chairman of the Nomination Committee.

Remuneration Committee

The Company established a remuneration committee ("**Remuneration Committee**") on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee currently consists of four Non-Executive Directors, three of whom are independent. The members currently are Mr. XU Hong, Mr. Charles Sheung Wai CHAN, Mr. Dieter YIH and Ms. Karen Yifen CHANG, an Independent Non-Executive Director, being the Chairman of the Remuneration Committee.

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 fifteen months ended 31 March 2021.

Change of Financial Year End Date

On 22 December 2020, the Board resolved to change the financial year end date of the Company from 31 December to 31 March to enable better operational alignment between the Company and Alibaba Group and to facilitate synergies across all functions within the Alibaba Group. Accordingly, following the financial year ended 31 December 2019, the next financial year end date of the Company was 31 March 2021.

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

During the fifteen months ended 31 March 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Annual General Meeting ("AGM")

The 2021 AGM will be held on 12 August 2021 (Thursday). 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 10 May 2021 (Monday), the Directors proposed that a final dividend ("**Final Dividend**") of HKD0.13 (equivalent to approximately RMB0.11) per ordinary share for the fifteen months ended 31 March 2021, amounting to approximately HKD1,240 million (equivalent to approximately RMB1,032 million) be paid no later than 26 August 2021 (Thursday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 17 August 2021 (Tuesday). The proposed Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on 12 August 2021 (Thursday).

Closure of Register of Members and Record Date

(a) For determining the entitlement to attend and vote at the 2021 AGM

The Company's register of members will be closed from 9 August 2021 (Monday) to 12 August 2021 (Thursday), 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 2021 AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 6 August 2021 (Friday).

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

The proposed Final Dividend is subject to the approval of the shareholders at the 2021 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 17 August 2021 (Tuesday). Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 17 August 2021 (Tuesday).

Publication of 2020/2021 Final Results and Annual Report of the Company

The final results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sunartretail.com). The Annual Report of the Company for the fifteen months ended 31 March 2021 will be dispatched to the shareholders of the Company and make available for review on the aforesaid websites in due course.

By order of the Board
Sun Art Retail Group Limited
LIN Xiaohai
Executive Director and Chief Executive Officer

For purpose of this announcement, the exchange rate of HKD1 = RMB0.8325 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.

Hong Kong, 10 May 2021

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

Executive Director:
LIN Xiaohai *(Chief Executive Officer)*

Non-Executive Directors:
HUANG Ming-Tuan *(Chairman)*
LI Yonghe
XU Hong

Independent Non-Executive Directors:
Karen Yifen CHANG
Charles Sheung Wai CHAN
Dieter YIH