Sun Art Retail Group Ltd.

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

OFFLINE EXPERIENCE CENTER AND LOGISTICS FULFILLMENT CENTER OF ONLINE BUSINESS

2020/2021 ANNUAL REPORT

MULTI FORMAT AND OMNI-CHANNEL • DIGITAL TRANSFORMATION • RESTRUCTURING HYPERMARKETS

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CORPORATE INFORMATION

DIRECTORS

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
Dieter YIH
Charles Sheung Wai CHAN

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

CHO Wing Han, FCG, FCS

AUTHORISED REPRESENTATIVES

LIN Xiaohai
CHO Wing Han

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HONG KONG SHARE REGISTRAR

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AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
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COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

HIGHLIGHTS OF ANNUAL RESULTS

	For the fifteen months ended 31 March 2021 *RMB million*	For the year ended 31 December 2019 *RMB million*	Change
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 *RMB million*	At 31 December 2019 *RMB million*	Change
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%
Gearing Ratio[(3)]	**0.72**	0.52	

Notes:

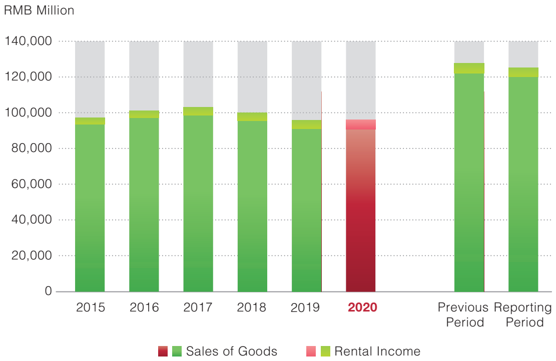
(1) The calculation of basic and diluted EPS for the fifteen months ended 31 March 2021 and for the year ended 31 December 2019 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the periods.

(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.

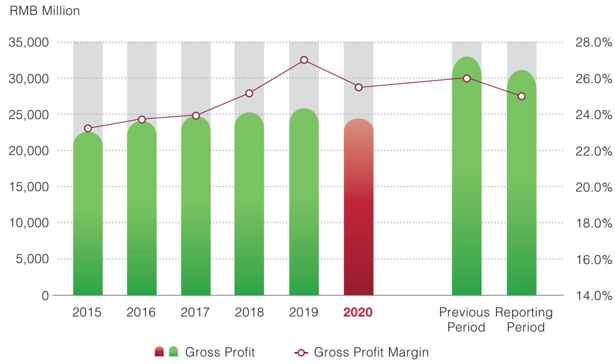
(3) Gearing Ratio = Net Cash Position/Total Equity

FINANCIAL HIGHLIGHTS

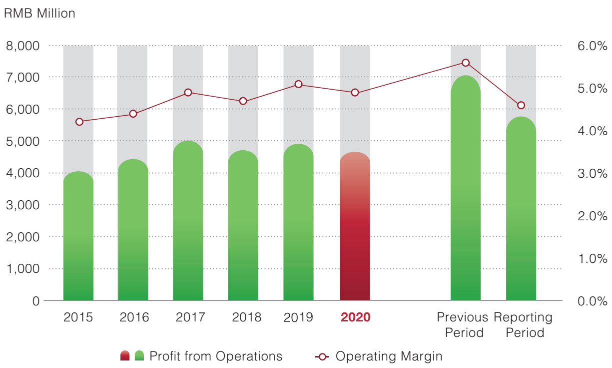
Revenue



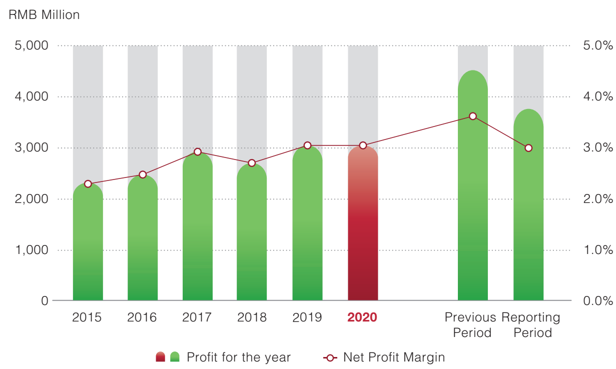
Gross Profit & Margin



Operating Margin



Net Profit and Margin



Note: Having changed its financial year end from 31 December to 31 March, the Group is reporting its financial highlights for the fifteen months ended 31 March 2021 ("**Reporting Period**"), together with the comparative figures for the fifteen months ended 31 March 2020 ("**Previous Period**") (unaudited).

Dear Shareholders,

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

Since the establishment of RT-Mart in the late 1990s, it has witnessed several major changes in the retail industry over the past 20 years.

We've experienced the rapid growth of hypermarkets, the rise of e-commerce, the digital transformation in new retail, the change in consumption mindset due to the pandemic and the recent boom of community group buying. RT-Mart always adheres to reform and innovation and has the courage to face new opportunities and challenges.

2020 is a year of great challenges for all retailers as the pandemic brought about significant changes in online and offline businesses and customers' consumption habits. In the midst of changes, Sun Art keeps changing, breaking through and innovating based on the previous foundation of digital transformation and accumulated multi-channel capabilities. Although the consumption scenarios are more diversified, I believe that the essence of retail remains unchanged. We endeavor to provide high-quality products and services to meet the needs of diversified customers. The new retail business has a long way to go.

Today, I'm here to announce that with the approval of the board of directors of Sun Art Retail, Mr. Lin Xiaohai has been appointed as CEO of the Group.

With nearly 25 years of retail and Internet industry experience, Mr. Lin Xiaohai formed a new generation of management team and set the strategy of multi-formats and omni-channel development.

He is motivated, strategic and courageous to embrace challenges. We have full confidence in him. I hope he will make every effort to lead the Group to reach a new peak and create prosperity!

Mr. HUANG Ming-Tuan
Chairman of the Board
10 May 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

I would like to express my gratitude to Mr. HUANG Ming-Tuan, all directors and shareholders for your trust and entrusting me with the responsibility for Sun Art Retail.

I began my study in Sun Art Retail in May 2020 and started full-time since 1 December 2020. It has been exactly one year up to now. Thanks to Peter and all my colleagues for their support and help. During this year, they accompanied me to more than 100 store visits, and I participated in a complete cycle from strategy formulation to implementation. One-year study gave me a deep understanding of Sun Art's mission. Our initial intention is to provide customers with fresh, cheap, comfortable and convenient shopping environment. Our originality is to take care of colleagues, serve customers and strive for excellence. And we'll continue to innovate in order to understand and meet customers' needs.

In the past fiscal year, the pandemic accelerated the change of consumers' shopping habits, intensified the competition of original offline rivals, and contributed to the rapid development of new business formats. Facing this new retail revolution, thanks to the in-advance deployment of e-commerce business for fresh products, Sun Art stabilized its business scale and began to explore the future development mode.

We believe that offline stores are still the core assets and core competitiveness of Sun Art. We will endeavor to develop RT-Mart into consumers' offline experience centers by creating reasons for customers to stores and logistics fulfillment centers of online business. We expect to become a first-tier e-commerce player of fresh products and meet customers' delivery-to-home needs.

Customers' shopping radius is reduced. In the future, based on the supply chain capabilities of RT-Mart, we will accelerate the expansion of superstores and test the feasibility of the RT mini model. Thus to increase the store coverage density in existing cities, improve the efficiency of supply chain and expand the coverage radius of online business.

Alibaba Group has become the major shareholder of Sun Art Retail. We will deepen the cooperation between Sun Art and Alibaba Group on the premise of retaining Sun Art's independent development. We expect that Alibaba Group will be different because of Sun Art. By leveraging approximately 500 physical stores network, Sun Art can provide Alibaba Group with efficient supply chains to enhance the supply capability of Alibaba Group's Neighborhood Shopping ("同城零售"). We also expect that Sun Art will be different because of Alibaba Group. By leveraging Alibaba Group's technical strength, Sun Art's digital capability can be further enhanced.

We believe that quality, price, service and efficiency is the essence of the retail industry and remains unchanged. Therefore, facing current challenges, we are still determined to invest in the future and in the acceleration of multi-formats and omni-channel development ! Even though in the first quarter of fiscal year 2022, we've experienced the biggest challenges over the years, we are still confident that Sun Art can return to the high single-digit revenue growth in this fiscal year and will get into the double-digit revenue growth trajectory in the next fiscal year.

I hope that all shareholders will continue to support the development of Sun Art Retail. Thank you.

Mr. LIN Xiaohai
Executive Director and CEO
10 May 2021

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 summarized 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 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 in 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 habit of customers since the pandemic started.

Notes:

(1) Same Store Sales Growth: The growth rate of sales of the 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 periods 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 the reduction and exemption 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 of the 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 the 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 of the 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 the 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 expense was 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 RMB 3,572 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 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 of ensuring 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 centers and logistics fulfillment 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.

Executive Director

Mr. LIN Xiaohai (林小海), aged 49, is an Executive Director of the Company since 22 December 2020 and has been appointed as the chief executive officer of the Company since 10 May 2021. Mr. Lin also serves as a director in certain subsidiaries of the Company. He is responsible for the Company's daily management, planning and implementing the overall strategies, financial objectives and direction of the Company, and overseeing its business operations. He has served as the vice-president of Alibaba Group Holding Limited ("Alibaba Group", a company with its American depositary shares listed on the New York Stock Exchange under the stock code BABA, and its ordinary shares listed on the Stock Exchange under the stock code 09988) and the general manager of Alibaba LST (a shopping platform operated by Alibaba Group) since July 2016. He also has served as the general manager, legal representative and director of Hangzhou Yuanmao E-Commerce Co., Ltd* (杭州源貓電子商務有限公司) (a member of the Alibaba Group) since September 2017.

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

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

Non-Executive Director

Mr. HUANG Ming-Tuan (黃明端), aged 66, is the chairman of the Board and currently a Non-Executive Director with effect from 10 May 2021. Mr. Huang also serves as a director in certain subsidiaries of the Company. He is responsible for leading and overseeing the performance of duties of the Board, ensuring the effective operation of the Board and the establishment of good corporate governance practices and procedures. Mr. Huang was a Director of the Company during the period from 28 April 2011 to 30 January 2018 and the Chief Executive Officer of the Company during the period from 17 May 2019 to 10 May 2021, and has been appointed as chairman of the Board since 17 October 2020. Mr. Huang had been involved in the business and operational strategies of the Company.

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

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

Non-Executive Director

Mr. LI Yonghe (李永和), aged 49, is a Non-Executive Director of the Company since 22 December 2020. Mr. Li is currently the vice-president of the Alibaba Group and the president of the Tongcheng retail division (a division of the Alibaba Group) since June 2018. Mr. Li has also been serving as a director of Sanjiang Shopping Club Co., Ltd.* (三江購物俱樂部股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601116) since 10 May 2019.

Before joining the Alibaba Group, Mr. Li served as the vice-president of Yongle (China) Electronics Retail Company Limited* (永樂（中國）電器銷售有限公司) from 1999 to 2003, and later as the supply chain director of GOME Retail Holdings Limited (a company listed on the Stock Exchange and formerly known as GOME Electrical Appliances Holding Limited, stock code: 00493) from 2006 to 2010. Mr. Li also served as the chief operating officer of Jingdong E-commerce at JD.com (a company both listed on NASDAQ under the stock code JD, and on the Stock Exchange under the stock code 09618) from 2011 to 2016.

Mr. Li received a bachelor's degree in mechanics from Zhejiang Sci-Tech University in 1994 and an EMBA degree from China Europe International Business School in 2017.

Non-Executive Director

Mr. XU Hong (徐宏), aged 47, is a Non-Executive Director of the Company since 22 December 2020. Mr. Xu has joined Alibaba Group since July 2018 and is currently the Deputy Chief Financial Officer of Alibaba Group. He has also been serving as a director or supervisor for various companies of the Alibaba Group.

Mr. Xu has been (i) a non-executive director of Lianhua Supermarket Holdings Co., Ltd.* (聯華超市股份有限公司) (a company listed on the Stock Exchange, stock code: 00980) since August 2018; (ii) a non-independent director of Suning.com Co., Ltd.* (蘇寧易購集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002024) since May 2019; (iii) a non-executive director of Alibaba Health Information Technology Limited (a company listed on the Stock Exchange, stock code: 00241) since June 2019; (iv) a non-executive director of Red Star Macalline Group Corporation Ltd. (a company both listed on the Stock Exchange under the stock code 01528 and the Shanghai Stock Exchange under the stock code 601828) since October 2019; (v) a non-independent director of Meinian Onehealth Healthcare Holdings Co.,Ltd.* (美年大健康產業控股股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002044) since December 2019; and (vi) a non-executive director of Alibaba Pictures Group Limited (a company listed on the Stock Exchange, stock code: 01060) since January 2020.

Mr. Xu served as a director of Concord Investment (China) Co., Ltd., a subsidiary of the Company from 11 November 2019 to 20 February 2021.

Before joining the Alibaba Group, Mr. Xu served as a partner at PricewaterhouseCoopers from July 2007.

Mr. Xu received a bachelor's degree in science (physics) in 1996 from Fudan University and he is a member of the Chinese Institute of Certified Public Accountants since 1999.

Independent Non-Executive Director

Ms. Karen Yifen CHANG (張挹芬), aged 57, is an Independent Non-Executive Director of the Company since 27 June 2011. Ms. Chang served as the chief executive officer of Jack Wolfskin Trading (Shanghai) Co., Ltd., a leading international outdoor brand, since August 2017 after being the non-executive director for 2 years. As a veteran from retail and consumer industry, she was the chief executive officer for Natural Beauty Bio-Technology Limited (a company listed on the Stock Exchange, stock code: 157), the chief financial officer, the chief executive officer and the executive director of Pou Sheng International (Holdings) Limited (a company listed on the Stock Exchange, stock code: 3813) from October 2007 to December 2015. In addition, Ms. Chang has many years of management consultancy and investment banking experiences from working with KPMG in Washington DC and Los Angeles in the United States as well as Jardine Fleming, Merrill Lynch and Credit Suisse in Shanghai and Hong Kong from 1992 to 2006.

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

Independent Non-Executive Director

Mr. Dieter YIH (葉禮德) alias YIH Lai Tak, Dieter, aged 58, is an Independent Non-Executive Director of the Company since 11 December 2019. Mr. Yih received his Bachelor of Laws degree from King's College London and he is a Fellow of King's College London. Mr. Yih is admitted to practice law in Hong Kong, England & Wales, Singapore and Australia. He is a partner of the Hong Kong law firm Kwok Yih & Chan, where his practice focuses on corporate finance, capital markets, securities and regulatory compliance.

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

Independent Non-Executive Director

Mr. Charles Sheung Wai CHAN (陳尚偉), aged 67, is an Independent Non-Executive Director of the Company since 31 January 2021. Mr. Chan has more than 40 years of experience in corporate finance, financial regulations and risk management. Mr. Chan started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was promoted to partnership in 1988. He subsequently joined the China & Hong Kong office of Arthur Andersen as an audit partner in 1994. From July 2002 to June 2012, Mr. Chan was a partner of the China & Hong Kong office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Hong Kong Stock Exchange from 1998 to 2001 and also as a member of the Election Committee for the first Legislative Council of Hong Kong in 1998. From 1996 to 1999, Mr. Chan was a council member of the Hong Kong Institute of Certified Public Accountants. He also served as a member of the Accounting Standards Committee, Auditing Standards Committee and the chairman of the China Technical Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan has been an independent non-executive director of SRE Group Limited (a company listed on the Stock Exchange, stock code: 1207), Maoyan Entertainment (a company listed on the Stock Exchange, stock code: 1896) and Hansoh Pharmaceutical Group Company Limited (a company listed on the Stock Exchange, stock code: 3692) since July 2012, January 2019 and June 2019, respectively, and was an independent director of Changyou.com Ltd (a company listed on NASDAQ under the stock code CYOU) between September 2013 and April 2020 and an independent non-executive director of CITIC Securities Company Limited (a company listed on the Stock Exchange, stock code: 6030) between May 2016 and May 2019. In May 1977, Mr. Chan obtained a Bachelor of Commerce degree from the University of Manitoba, in Canada. He is a member of both the Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

Senior management

Ms. Desory Yiwen WAN

Ms. Desory Yiwen WAN (萬伊文), aged 47, is the Chief Financial Officer of the Company. She received a master degree from Oxford Brookes University, and has extensive experience in financial management and strategic development fields.

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

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

In addition to Ms. Desory Yiwen WAN, the Senior management of the Company is composed of Executive Director and Chairman of the Board, namely Mr. LIN Xiaohai and Mr. HUANG Ming-Tuan. Please refer to their biographical details in this section on page 17.

* *For identification purpose only*

The board (the "**Board**") of directors (the "**Directors**") of the Company are pleased to present this report and the audited consolidated financial statements of the Group for the fifteen months ended 31 March 2021.

Principal Activities

The principal activities of the Group are the operation of brick-and-mortar stores and online sales channels in the PRC. An analysis of the Group's revenue by category is set out in note 2 to the consolidated financial statements on page 119.

Change of Financial Year End Date

On 22 December 2020, the Board resolved to change its financial year end date 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.

Financial Statements

The results of the Group for the fifteen months ended 31 March 2021 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 86.

The financial position of the Group as at 31 March 2021 is set out in the Consolidated Statement of Financial Position of the Group on pages 87 to 88. The financial position of the Company as at 31 March 2021 is set out in note 25 to the consolidated financial statement on page 162.

The cash flows of the Group for the fifteen months ended 31 March 2021 are set out in the Consolidated Cash Flow Statement on pages 91 to 92.

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 RMB0.11) per ordinary share for the fifteen months ended 31 March 2021, amounting to approximately HKD1,240 million (equivalent to 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 annual general meeting ("**AGM**") to be held on 12 August 2021 (Thursday).

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

Reserves

Details of the movements in the reserves of the Group and the Company during the fifteen months ended 31 March 2021 are set out in the Consolidated Statement of Changes in Equity on pages 89 to 90 and note 20(a) to the consolidated financial statements.

As at 31 March 2021, the Company's reserves available for distribution to the shareholders amounted to RMB1,148 million in accordance with the Company's new articles of association ("**Articles of Association**") adopted on 14 May 2015 and as amended on 17 May 2019.

Fixed Assets

Details of the movements in the fixed assets of the Group during the fifteen months ended 31 March 2021 are set out in note 10 to the consolidated financial statements.

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

As at 31 March 2021, there are 117 and 199 retail galleries classified as investment properties respectively in owned and leased hypermarkets. All of the galleries were of similar nature and all located in the PRC. There were a large number of individual properties and none of the properties was material on an individual basis.

An independent professional valuer has been engaged to value the properties owned by the Group or leased by the Group which were recognized as right-of-use assets. As at 31 March 2021, the total fair value of such properties was RMB54,904 million, among which, the fair value of investment property was RMB21,285 million.

Details of the fair value of the investment properties as at 31 March 2021 and 31 December 2019 and the valuation technique are set out in notes 10(iv) and 10(v) to the consolidated financial statements respectively.

Donations

Donations made by the Group during the fifteen months ended 31 March 2021 amounted to RMB6 million.

Share Capital

Details of the movements in share capital of the Company during the fifteen months ended 31 March 2021 are set out in note 20(c) to the consolidated financial statements.

Sufficiency of Public Float

References are made to (i) the joint announcement issued by the Company and Taobao China Holding Limited ("**Offeror**" or "**Taobao China**"), an indirect wholly-owned subsidiary of Alibaba Group dated 18 October 2020 and the composite document jointly issued by the Offeror and the Company dated 27 November 2020 (the "**Composite Document**") in relation to the mandatory unconditional cash offer made by China International Capital Corporation Hong Kong Securities Limited for and on behalf of the Offeror to acquire all the issued shares not already owned or agreed to be acquired by the Offeror and its concert parties ("**Offer**"); (ii) the joint announcement issued by the Offeror and the Company dated 18 December 2020 in relation to the close of the Offer and the results of the Offer (the "**Closing Announcement**"); (iii) the announcement by the Company dated 7 January 2021 in relation to the grant of waiver from strict compliance with the minimum public float requirement (the "**Waiver Announcement**"); and (iv) the announcement by the Company dated 10 March 2021 in relation to the restoration of public float.

As disclosed in the Closing Announcement, immediately following the close of the Offer, subject to the due registration by the Registrar of the transfer of the shares in respect of which valid acceptances were received, 1,508,785,697 shares of the Company, representing approximately 15.8159% of the issued shares of the Company as at the date of the Closing Announcement, were held by the public (within the meaning of the Listing Rules). Accordingly, the minimum public float requirement of 19.38% (the "**Prescribed Minimum Public Float Percentage**") imposed pursuant to a waiver granted under Rule 8.08(1)(d) of the Listing Rules to the Company by the Stock Exchange (the "**Existing Public Float Waiver**") was not satisfied as at the date of the Closing Announcement.

The Company and the Offeror had jointly applied to the Stock Exchange for a temporary waiver pursuant to Rule 8.08(1)(c) of the Listing Rules from strict compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules (as modified by the Existing Public Float Waiver), which is at least the level of the Prescribed Minimum Public Float Percentage (the "**Waiver**") for a period of four months commencing from 18 December 2020 to 17 April 2021 (the "**Waiver Period**"). On 6 January 2021, the Stock Exchange granted the Waiver to the Company and the Offeror for the Waiver Period, subject to the disclosure of the Waiver (including details and reasons) by way of publication of the Waiver Announcement.

Each of the directors of Taobao China had jointly and severally undertaken to the Stock Exchange, and any new directors (if any) to be appointed to the Board of the Company would jointly and severally undertake to the Stock Exchange, to take appropriate steps to ensure that sufficient public float exists in Company's shares.

The Company was informed by A-RT Retail Holdings Limited ("**A-RT**"), the Company's controlling shareholder, that the transfers of 8,892,474 and 8,246,246 shares in A-RT by Concord Greater China Limited ("**CGC**") and Kofu International Limited ("**Kofu**"), respectively, to A-RT in consideration of 231,204,324 and 214,402,396 ordinary shares in the issued share capital of the Company ("**Shares**"), respectively (the "**Relevant Transactions**"), had been completed. Following completion of the Relevant Transactions, A-RT holds 4,419,731,966 Shares, representing approximately 46.33% of the total issued share capital of the Company. As a result of the Relevant Transactions, the shareholding of the Offeror and its concert parties in the Company has been reduced from 7,953,273,301 Shares (representing approximately 83.37% of the total issued share capital of the Company) to 7,507,666,581 Shares (representing approximately 78.70% of the total issued share capital of the Company).

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, immediately following the Relevant Transactions and since 10 March 2021, 1,960,053,917 Shares are held by the public (as defined under the Listing Rules), representing approximately 20.55% of the total issued share capital of the Company. Accordingly, the public float of the Company has been restored to a level which is above the prescribed minimum public float percentage applicable to the Company, being 19.38% of the total issued share capital of the Company, and the Company is, with effect from the completion of the Relevant Transactions, in compliance with Rule 8.08(1)(a) of the Listing Rules.

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).

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

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

Directors

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

Executive Director:

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

Non-Executive Directors:

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

LI Yonghe (Appointed on 22 December 2020)

XU Hong (Appointed on 22 December 2020)

Independent Non-Executive Directors:

Karen Yifen CHANG (Appointed on 27 June 2011)

Dieter YIH (Appointed on 11 December 2019)

Charles Sheung Wai CHAN (Appointed on 31 January 2021)

Biographies of the Directors as at the date of this annual report are set forth in the section headed "Profiles of Directors and Senior Management" of this annual report on pages 17 to 20.

In accordance with the Articles of Association, Mr. HUANG Ming-Tuan, Mr. LIN Xiaohai, Mr. LI Yonghe, Mr. XU Hong, Mr. Charles Sheung Wai CHAN and Ms. Karen Yifen CHANG will retire as Executive Director, Non-Executive Directors and Independent Non-Executive Directors. Each of the retiring Directors will offer themselves for re-election at the 2021 AGM.

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

Directors of Subsidiaries

For the fifteen months ended 31 March 2021 up to the date of this annual report, the names of all directors who have served on the boards of the subsidiaries of the Company are available on the Company's website (http://www.sunartretail.com/en/about/cg/listofdirectorsofsubsidiaries.pdf).

Business Review

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the fifteen months' period under review and the material factors underlying its results and financial position are provided in the Chairman's Statement, Chief Executive Officer's Statement, Financial Review, Business Review respectively from pages 5 to 16 of this annual report.

Description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Risk Factors section on pages 60 to 64.

Particulars of important events affecting the Company that have occurred since the end of the fifteen months ended 31 March 2021, if any, can also be found in the above mentioned sections and the notes to the consolidated financial statements.

The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement and Chief Executive Officer's Statement from pages 5 to 6 of this annual report.

An account of the Company's relationships with its key stakeholders including its employees, customers and suppliers is included in the Report of Directors section, on pages 32 and 58 of this annual report, respectively.

In addition, more details regarding the Group's performance by reference to environmental and social related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are provided in the "Report of Directors" section, on page 59 in this annual report.

Permitted Indemnity

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

Directors Service Contracts

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

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

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

Directors' Interests in Transactions, Arrangements or Contracts

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

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

As at 31 March 2021, the interest or short position of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, are as follows:

Name of director／chief executive	Name of corporation	Nature of interest	Total number of shares/underlying shares held[1]	Approximate percentage shareholding of the relevant entity
HUANG Ming-Tuan	The Company	Interest of spouse[2]	71,984,202(L)	0.75%
LIN Xiaohai[3]	Alibaba Group[4]	Beneficial owner	344,240(L)[5]	0.0000%
LI Yonghe[6]	Alibaba Group	Beneficial owner	260,000(L)[7]	0.0000%
XU Hong[8]	Alibaba Group	Beneficial owner	491,112(L)[9]	0.0000%
Charles Sheung Wai CHAN *(Appointed on 31 January 2021)*	Alibaba Group	Beneficial owner	4,000(L)[10]	0.0000%
Desmond MURRAY *(Resigned on 31 January 2021)*	The Company	Beneficial owner	55,000(L)	0.0006%

Notes:

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

(2) Ms. LEE Chih-Lan is the spouse of Mr. HUANG Ming-Tuan. Ms. LEE Chih-Lan holds 70,432,964 shares through Unique Grand Trading Limited and 1,551,238 shares under her name. Accordingly, Mr. HUANG Ming-Tuan is deemed to be interested in all of the shares held by Ms. LEE Chih-Lan.

(3) Mr. LIN Xiaohai has been appointed as an Executive Director on 22 December 2020.

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

(5) It represents 227,040 ordinary shares (American Depositary Shares ("ADS")) and 117,200 Restricted Share Units ("RSU") in the number of ordinary shares of Alibaba Group beneficially held by Mr. LIN Xiaohai.

(6) Mr. LI Yonghe has been appointed as a Non-Executive Director on 22 December 2020.

(7) It represents 260,000 RSU in the number of ordinary shares of Alibaba Group beneficially held by Mr. LI Yonghe.

(8) Mr. XU Hong has been appointed as a Non-Executive Director on 22 December 2020.

(9) It represents 148,112 ordinary shares (ADS) and 343,000 RSU in the number of ordinary shares of Alibaba Group beneficially held by Mr. XU Hong.

(10) It represents 4,000 ordinary shares in the number of ordinary shares of Alibaba Group beneficially held by Mr. Charles Sheung Wai CHAN.

Save as disclosed above, so far as known to any Directors, as at 31 March 2021, none of the Directors or chief executives of the Company or any of their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as defined in Part XV of the SFO, which were required to be recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors or chief executives to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debt Securities

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

Directors' Interest in Competing Business

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

Share Option Scheme

There is no share option scheme operated by the Company.

Employee Trust Benefit Schemes ("ETBS")

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

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

Calculated based on the paid-in capital, as at 31 March 2021, 0.161% of ACI and 7.3102% of CIC were held by the respective trusts under the Auchan Scheme and the RT-Mart Scheme.

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

So far as is known to any Director or chief executive of the Company, as at 31 March 2021, the persons or corporations (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company or its associated corporation(s) which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Nature of interest	Number and class of shares[(1)]	Approximate percentage of shareholding
A-RT[(2)]	Beneficial owner	4,419,731,966(L)[(7)]	46.33%
Taobao China[(3)]	Interest in a controlled corporation	4,419,731,966(L)[(7)]	46.33%
Taobao China[(3)]	Beneficial owner	2,607,565,384(L)	27.33%
Taobao Holding Limited[(4)] ("**Taobao Holding**")	Interest in a controlled corporation	7,027,297,350(L)	73.66%
New Retail Strategic Opportunities Investments 1 Limited[(5)] ("**New Retail**")	Beneficial owner	480,369,231(L)[(8)]	5.04%
New Retail Strategic Opportunities Fund, L.P.[(5)]	Interest in a controlled corporation	480,369,231(L)[(8)]	5.04%
New Retail Strategic Opportunities Fund GP, L.P. [(5)]	Interest in a controlled corporation	480,369,231(L)[(8)]	5.04%
New Retail Strategic Opportunities GP Limited[(5)]	Interest in a controlled corporation	480,369,231(L)[(8)]	5.04%
Alibaba Investment Limited[(5)]	Interest in a controlled corporation	480,369,231(L)[(8)]	5.04%
Alibaba Group[(6)]	Interest in a controlled corporation	7,507,666,581 (L)	78.70%

Notes:

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

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

(3) Taobao China is a company incorporated in Hong Kong with limited liability, and is directly wholly-owned by Taobao Holding, which is in turn owned by Alibaba Group. As at 31 March 2021, Taobao Holding held an aggregated long interest of 73.66% in the Company, of which Taobao China directly held 2,607,565,384 shares, constituting 27.33% interest in the Company.

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

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

(6) Alibaba Group is a company incorporated in the Cayman Islands and its American depositary shares and ordinary shares are listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited, respectively. Each of Taobao Holding and Alibaba Investment Limited is directly wholly-owned by Alibaba Group, therefore Alibaba Group is deemed to be interested in all the shares in which Taobao China and New Retail are interested in by virtue of Part XV of the SFO.

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

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

Save as disclosed above, as at 31 March 2021, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

As at 31 March 2021, the shareholding interests of eight of the operating subsidiaries are partially held by independent third parties. Those operating subsidiaries are Fields HK, RT-Mart Limited Shanghai, Jinan RT-Mart, Changshu Bairuenfa Hypermarket Co., Ltd., Shanghai Auchan Hypermarket Co., Ltd., Hangzhou Auchan Hypermarket Co., Ltd., Changzhou Immochan Real Estate Co., Ltd., and Wuxi Immochan Real Estate Co, Ltd..

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

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

For the fifteen months ended 31 March 2021, the remuneration of the senior management whose profiles are included in the "Profiles of Directors and Senior Management" section of this annual report fell within the following bands:

Remuneration Bands	Number of Individuals
HKD1 – HKD10,000,000	2
HKD10,000,001 – HKD15,000,000	0
HKD15,000,001 – HKD20,000,000	1

Remuneration Policy

As at 31 March 2021, the Group employed a total of 123,449 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, time commitment, responsibilities and the prevailing salary levels in the market.

Retirement/Pension Schemes

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following connected transactions and continuing connected transactions during the fifteen months ended 31 March 2021:

Connected Transaction

Acquisition of 51% equity interest in He Xiao Ma from Alibaba Technology

On 15 January 2021, CIC entered into an equity transfer agreement ("**Equity Transfer Agreement**") with Alibaba (China) network Technology Co., Ltd, ("**Alibaba Technology**"), pursuant to which CIC agreed to purchase and the Alibaba Technology agreed to sell the entire 51% equity interest in Shanghai He Xiao Ma Network Technology Co., Ltd. ("**He Xiao Ma**") at a consideration of RMB25,500,000.

Alibaba Technology is an indirect wholly-owned by Alibaba Group Holdings Limited ("**Alibaba**"). Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company.

For further details of the disposal of the equity interest in He Xiao Ma, please refer to the announcement of the Company dated 15 January 2021.

Non-exempt Continuing Connected Transactions

The following transactions of the Group constituted non-exempt continuing connected transactions of the Group for the fifteen months ended 31 March 2021.

1. Agency Agreement and Subcontracting Agreement with Patinvest

On 3 March 2020, the Company and Patinvest entered into an agency agreement ("**Patinvest Agency Agreement**"), pursuant to which Patinvest agreed to grant to the Company exclusive right to provide negotiation services in relation to certain international cooperation agreements to be entered into between the Company (on behalf of Patinvest) and selected international suppliers in Asia. The services provided by the Company included negotiating with selected international suppliers in Asia for the provision of joint and specific services, comprising, amongst others, exchange of market knowledge, facilitation of new product introductions and entry into new regions/markets, coordination of product promotional activities and product performance data sharing.

On 3 March 2020, the Company and Patinvest entered into a subcontracting agreement (the "**Patinvest Subcontracting Agreement**", and together with the Patinvest Agency Agreement, the "**Patinvest Agreements**"), pursuant to which Patinvest agreed to exclusively subcontract to the Company Patinvest's performance obligations in Asia under the international cooperation agreements entered into by Patinvest with third party suppliers. The services subcontracted included, amongst others, the exchange of market knowledge, facilitation of new product introductions and entry into new regions/markets, coordination of product promotional activities and sharing of product performance data with suppliers.

Each of the Patinvest Agreements had a term commencing from 3 March 2020 and ending on 31 December 2020. The fees to which the Company was entitled under the Patinvest Agency Agreement was 15% of the amount payable by selected international suppliers in Asia for the provision of services by the Company. The consideration payable to the Company for the Patinvest Subcontracting Agreement was 85% of the amount payable by the international suppliers for the services performed in Asia under the international cooperation agreements entered into between Patinvest and such suppliers. By entering into the Patinvest Agreements, Patinvest could leverage on the expertise and resources of the Company to strengthen the negotiations and bargaining power with selected international suppliers in Asia, and the Company could leverage on Patinvest's relationship with such international suppliers to expand its suppliers' network, and both parties could be in a better position to bargain for more favourable conditions during negotiation.

As Patinvest is a subsidiary of Auchan Holding and Auchan Holding was one of the controlling shareholders of the Company, Patinvest was a connected person of the Company on or before 19 October 2020.

For further details of the Patinvest Agreements, please refer to the announcement of the Company dated 3 March 2020.

The annual cap of the Patinvest Agreements for the year ended 31 December 2020 is EUR22,000,000, while the actual transaction amount for the year ended 31 December 2020 is approximately EUR7.6 million.

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

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

Master Purchase Agreement

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

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

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

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

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

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

The annual caps of the category of "Purchase of goods and services by the Group from Alibaba Group" for the year ended 31 December 2020 and the year ending 31 December 2021 are RMB2,227,000,000 and RMB2,285,000,000 respectively, while the actual transaction amount of the year ended 31 December 2020 and the three months ended 31 March 2021 are approximately RMB347.6 million and RMB89.1 million respectively.

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

Master Supply Agreement

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

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

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

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

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

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

Northeast China Hema Supply Agreement

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

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

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

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

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

Hainan Hema Supply Agreement

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

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

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

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

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

Promotional Goods Supply Agreement

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

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

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

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

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

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

As the transactions under the above agreements in the category of "Sale of goods and services by the Group to Alibaba Group" are similar in nature, they are required to be aggregated pursuant to rule 14A.81 of the Listing Rules. As such, the annual caps of the category of "Sale of goods and service by the Group to Alibaba Group" for the year ended 31 December 2020 and the year ending 31 December 2021 are RMB13,023,000,000 and RMB16,108,000,000 respectively, while the actual transaction amount of the year ended 31 December 2020 and the three months ended 31 March 2021 are approximately RMB2,519.1 million and RMB1,016.5 million respectively.

4. *Consignment of goods from Alibaba Group to the Group*

Master Zhejiang Tmall Consignment Agreement

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

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

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

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

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

Master Theland Consignment Agreement

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

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

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

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

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

Win-Chain Consignment Agreement

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

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

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

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

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

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

As the transactions under the above agreements in the category of "Consignment of goods from Alibaba Group to the Group" are similar in nature, they are required to be aggregated pursuant to rule 14A.81 of the Listing Rules. As such, the annual caps of the category of "Consignment of goods from Alibaba Group to the Group" for the year ended 31 December 2020 and the year ending 31 December 2021 are RMB220,000,000 and RMB280,000,000 respectively, while the actual transaction amount of the year ended 31 December 2020 and the three months ended 31 March 2021 are approximately RMBnil and RMBnil respectively.

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

Original Business Cooperation Agreements and Implementation Agreements

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

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

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

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

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

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

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

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

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

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

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

Hema Business Cooperation Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

Ele Me Business Cooperation Agreement

On 27 December 2019, CIC entered into the Ele Me business cooperation renewal agreement (the "**Ele Me Business Cooperation Renewal Agreement**") with Shanghai Rajax Information Technology Co., Ltd. ("**Shanghai Rajax**").

The Ele Me Business Cooperation Agreement has a term which commenced from 1 January 2020 and ended on 31 March 2021.

On 31 March 2021, CIC entered into the Ele Me Business Cooperation 2021 Renewal Agreement ("**Ele Me Business Cooperation 2021 Renewal Agreement**" together with the Ele Me Business Cooperation Renewal Agreement, the "**Ele Me Business Cooperation Agreements**") with Shanghai Rajax which renews the Ele Me Business Cooperation Renewal Agreement with an extended term from 1 April 2021 to 31 March 2022.

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

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

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

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

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

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

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

For further details of the Ele Me Business Cooperation Agreement, please refer to the announcements of the Company dated 27 December 2020 and 31 March 2021.

Dalian Hema Delivery Business Cooperation Agreement

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

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

On 27 February 2020, Dalian Runhe entered into the Dalian Hema Delivery Business Cooperation Renewal Agreement ("**Dalian Hema Delivery Business Cooperation Renewal Agreement**") with Hangzhou Rajax which renews the Dalian Hema Delivery Business Cooperation Renewal Agreement with an extended term from 1 March 2020 to 28 February 2021. On 16 March 2020, Dalian Runhe and Hangzhou Rajax entered into the Dalian Hema Delivery Business Cooperation Supplementary Agreement with Hangzhou Rajax to introduce a bonus arrangement with respective delivery services during the spring festival in 2020 between 1 January 2020 and 29 February 2020.

On 26 February 2021, Dalian Runhe entered into the Dalian Hema Delivery Business Cooperation Renewal 2021 Agreement ("**Dalian Hema Delivery Business Cooperation 2021 Renewal Agreement**", together with the Dalian Hema Delivery Business Cooperation Renewal Agreement and Dalian Hema Delivery Business Cooperation Agreement, the "**Dalian Hema Delivery Business Cooperation Agreements**") with Hangzhou Rajax which renews the Dalian Hema Delivery Business Cooperation Renewal Agreement with an extended term from 1 March 2020 to 28 February 2021.

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

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

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

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

For further details of the Dalian Hema Delivery Business Cooperation Agreement, please refer to the announcements of the Company dated 12 April 2019, 27 February 2020, 16 March 2020 and 26 February 2021.

Shenyang Hema Delivery Business Cooperation Agreement

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

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

On 27 February 2020, Shenyang Runhe entered into the Shenyang Hema Delivery Business Cooperation Renewal Agreement ("**Shenyang Hema Delivery Business Cooperation Renewal Agreement**") with Hangzhou Rajax which renews the Shenyang Hema Delivery Business Cooperation Renewal Agreement with an extended term from 1 March 2020 to 28 February 2021.

On 26 February 2021, Shenyang Runhe entered into the Shenyang Hema Delivery Business Cooperation Renewal 2021 Agreement ("**Shenyang Hema Delivery Business Cooperation 2021 Renewal Agreement**", together with the Shenyang Hema Delivery Business Cooperation Renewal Agreement and Shenyang Hema Delivery Business Cooperation Agreement, the "**Shenyang Hema Delivery Business Cooperation Agreements**") with Hangzhou Rajax which renews the Shenyang Hema Delivery Business Cooperation Renewal Agreement with an extended term from 1 March 2020 to 28 February 2021.

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

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

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

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

For further details of the Shenyang Hema Delivery Business Cooperation Agreement, please refer to the announcements of the Company dated 31 May 2019, 27 February 2020 and 26 February 2021.

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

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

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

On 1 April 2020, CIC entered into the 2020 RT-Mart China Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service) ("**2020 RT-Mart China Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service)**") with Rajax Network Shanghai which renews the S2020 RT-Mart China Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service) with an extended term from 1 April 2020 to 31 March 2021.

On 31 March 2021, CIC entered into the 2021 RT-Mart China Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service) ("**2021 RT-Mart China Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service)**", together with the 2020 RT-Mart China Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service) and the Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service), the "**RT-Mart Rajax Network Shanghai Ele Me Business Cooperation Agreements (Promotion Service)**") with Rajax Network Shanghai which renews the 2020 RT-Mart China Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service) with an extended term from 1 April 2021 to 31 March 2022.

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

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

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

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

For further details of the The Rajax Network Shanghai Ele Me Business Cooperation Agreement (Promotion Service), please refer to the announcements of the Company dated 18 October 2019, 1 April 2020 and 31 March 2021.

Tao Xian Da Business Cooperation Agreement

On 18 March 2021, Concord Investment (China) Co., Ltd ("**RT-Mart China**") entered into the Tao Xian Da Business Cooperation Agreement with Hangzhou Tao Xianda, pursuant to which RT-Mart China agreed to cooperate with Hangzhou Tao Xianda to adopt the Tao Xian Da ("淘鮮達") model across the hypermarkets and supermarkets operated by RT-Mart China and Auchan China designated under the Tao Xian Da Business Cooperation Agreement to be connected to certain designated online platforms operated by Alibaba Group or RT-Mart China ("**Designated Platforms**") and including, among others: (a) the Auchan Stores and the RT-Mart Stores accessing the business model and the Designated Platforms, including, but not limited to, the adoption of joint brand names and transformation of existing and new Auchan Stores and RT-Mart Stores; (b) completing the integration of the corresponding software systems in the Auchan Stores and the RT-Mart Stores; (c) Hangzhou Tao Xianda supplying to the Auchan Stores and the RT-Mart Stores necessary hardware including POS hardware and providing maintenance support; and (d) other areas of cooperation such as assistance in procurement or sourcing, participation in marketing and promotional activities, service standards and the usage of Alipay.

The term of the Tao Xian Da Business Cooperation Agreement commenced on 19 March 2021 and shall expire on 18 March 2024.

RT-Mart China agreed to pay to Hangzhou Tao Xianda a commission fee ("**RT Commission Fee**") for the use of the Designated Platforms and software system resources, which is calculated based on the net value of each order completed online through the Designated Platforms by the relevant Auchan Stores and RT-Mart Stores after deducting the applicable discounted amount (but including the discount apportionment to be borne by Hangzhou Tao Xianda), multiplied by an agreed commission rate determined after arm's length negotiations between the parties with reference to (i) the commission fees for similar types of transactions that are offered by independent third party service providers, (ii) the continuing partnership with Alibaba Group and (iii) the commercial benefits of such partnership to the Group.

RT-Mart China also agreed to pay a service fee to Hangzhou Tao Xianda for each transaction successfully completed by the Auchan Stores and the RT-Mart Stores through Alipay ("**RT-Alipay Transaction Fee**"). The RT-Alipay Transaction Fee payable to Hangzhou Tao Xianda is calculated based on the transaction value of each order successfully completed through Alipay by the relevant Auchan Stores and RT-Mart Stores, multiplied by an agreed service rate determined after arm's length negotiations between the parties with reference to (i) the service fees for similar types of transactions that are offered by independent online third party payment solution service providers, (ii) the continuing partnership with Alibaba Group, and (iii) the commercial benefits of such partnership to the Group.

For further details of Tao Xian Da Business Cooperation Agreement, please refer to the announcement of the Company dated 18 March 2021.

RT-Mart China Zhejiang Niaochao Delivery Business Cooperation Agreement

On 18 March 2021, RT-Mart China entered into the RT-Mart China Zhejiang Niaochao delivery business cooperation agreement ("**RT-Mart China Zhejiang Niaochao Delivery Business Cooperation Agreement**") with Zhejiang Niaochao Supply China Management Co., Ltd. ("**Zhejiang Niaochao**"), pursuant to which Zhejiang Niaochao agreed to provide logistics and delivery services to customers of RT-Mart China for orders placed via the Designated Platforms.

The term of the RT-Mart China Zhejiang Niaochao Delivery Business Cooperation Agreement commenced on 19 March 2021 and shall expire on 31 March 2022.

Delivery fee shall be charged based on a fixed price on each delivery successfully completed subject to an adjustment mechanism depending on a monthly quality examination on the quality of delivery and delivery distance. The fee for the delivery service provided by Zhejiang Niaochao has been determined after arm's length negotiations with reference to (i) the service fee charged for the same category of services offered by independent service providers to the Group; (ii) the continuing partnership with Alibaba Group on the Tao Xian Da ("淘鮮達") business model; and (iii) the price of the same delivery services offered on the market by independent third parties.

For further details of RT-Mart China Zhejiang Niaochao Delivery Business Cooperation Agreement, please refer to the announcement of the Company dated 18 March 2021.

Ele Me Online Food Ordering Business Cooperation Agreements

On 1 July 2020, RT-Mart China entered into the RT-Mart China Ele Me Online Food Ordering Business Cooperation Agreement and Auchan (China) Investment Co., Ltd. ("**Auchan China**") entered into the Auchan China Ele Me Online Food Ordering Business Cooperation Agreement, with Rajax Network Technology (Shanghai) Co., Ltd. and Shanghai Rajax Information Technology Co., Ltd. (together, the "**Rajax Entities**") in respect of the business cooperation between each of RT-Mart China and Auchan China (as applicable) and the Rajax Entities (together, the "**Ele Me Online Food Ordering Business Cooperation Agreements**").

Pursuant to the Ele Me Online Food Ordering Business Cooperation Agreements, the Rajax Entities agreed to provide to each of RT-Mart China and Auchan China (as applicable) services relating to online food ordering, online promotion, logistics and delivery, as well as other related services to help each of RT-Mart China and Auchan China (as applicable) to meet their needs in operating online food ordering business on the Rajax Entities' platforms (including the Ele Me platform). The Ele Me Online Food Ordering Business Cooperation Agreements have a term of one year which commenced from 1 July 2020 and will end on 30 June 2021.

A service fee will be charged by the Rajax Entities with reference to an agreed percentage of money to be received by RT-Mart China or Auchan China from customers per online food order on the Rajax Entities' platforms (subject to a minimum charge per online food order) depending on the type of delivery services used. Service fees will be deducted from the amount payable by the Rajax Entities to RT-Mart China or Auchan China in respect of money to be received by RT-Mart China or Auchan China (as applicable) from customers for online food orders on the Rajax Entities' platforms.

The transactions contemplated under the Ele Me Online Food Ordering Business Cooperation Agreements are required to be aggregated with the transactions contemplated under the Existing Business Cooperation Agreements (as defined in the announcement of the Company on 2 July 2020) under the category of "Business Cooperation between the Group and Alibaba Group".

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

For further details of the Ele Me Online Food Ordering Business Cooperation Agreements, please refer to the announcement of the Company dated 2 July 2020.

Taobao Business Cooperation Agreement

On 18 March 2021, RT-Mart China entered into the Taobao business cooperation agreement ("**Taobao Business Cooperation Agreement**") with Zhejiang Taobao Network Technology Co., Ltd. and Taobao (China) Software Co., Ltd. (the "**Taobao Entities**"). Pursuant to the Taobao Business Cooperation Agreement, the Taobao Entities agreed to provide to RT-Mart China software and information display services to RT-Mart so that users using webpage services of the Taobao Entities can browse webpage of RT-Mart China via Taobao China's applications. The Taobao Business Cooperation Agreement has a term which commenced from 18 March 2021 and will end on 31 March 2022.

A service fee will not be charged until RT-Mart China and the Taobao Entities enter into a supplementary agreement on the collection of service fee. If RT-Mart China and the Taobao Entities fail to agree on the service fee, the Taobao Entities may terminate the services provided under the Taobao Business Cooperation Agreement, wholly or partially, with a written notice to RT-Mart China at least fifteen days prior to the termination.

The transactions contemplated under the Taobao Business Cooperation Agreements are similar in nature with the transactions under the category of "Business Cooperation between the Group and Alibaba Group". Therefore, the transactions contemplated under the Taobao Business Cooperation Agreement are required to be aggregated with the transactions contemplated under the Existing Business Cooperation Agreements (as defined in the announcement of the Company dated 18 March 2021) under the category of "Business Cooperation between the Group and Alibaba Group".

Taobao China is a substantial shareholder and a connected person of the Company. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company. Each of the Taobao Entities is a subsidiary of Alibaba and is therefore an associate of Taobao China and a connected person of the Company under Chapter 14A of the Listing Rules. The Taobao Business Cooperation Agreements and the transactions contemplated thereunder constitute partially exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For further details of the Taobao Business Cooperation Agreement, please refer to the announcement of the Company dated 18 March 2021.

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

As the transactions under the above agreements in the category of "Business Cooperation between the Group and Alibaba Group" are similar in nature, they are required to be aggregated pursuant to rule 14A.81 of the Listing Rules. As such, the annual caps of the business cooperation between the Group and Alibaba Group for the year ended 31 December 2020 and the year ending 31 December 2021 are RMB2,066,000,000 and RMB2,485,900,000 respectively, while the actual transaction amount of the year ended 31 December 2020 and the three months ended 31 March 2021 are approximately RMB1,655.3 million and RMB491.3 million respectively.

6. *Master Technical Services Agreement*

On 10 June 2020, the Company (on behalf of and together with its subsidiaries) entered into a master technical services agreement ("**Master Technical Services Agreement**") with Taobao China (on behalf of and together with the affiliates and subsidiaries of Alibaba (the "**Alibaba Affiliates**")) and Alipay (China) Network Technology Co., Ltd ("**Alipay China**"), pursuant to which the Group agreed to purchase certain technical services ("**Relevant Technical Services**") from Taobao China and Alipay China. The Relevant Technical Services include a wide range of services related to the technology, internet, telecommunication and media, including: (i) cooperating online purchase and e-commerce services; (ii) providing payment solution services to facilitate payment between third party and the Group; (iii) opening account on online platform (active flow of news and promotional content); (iv) renting general network facilities and services; (v) renting IT facilities and technology such as data centres and server facilities for the computer processing and cloud storage of the Group, 4G network and automated cashier; and (vi) any other technical services as may be confirmed and agreed by (i) the Group and (ii) Taobao China and the Alibaba Affiliates (the "**Taobao China Group**") and/or Alipay China and its subsidiaries and affiliates (the "**Alipay Group**") (as the case may be) in writing from time to time.

The term of the Master Technical Services Agreement commenced on 10 June 2020 and shall expire on 31 December 2021.

The purchase price for the Relevant Technical Services (inclusive of any value-added tax, customs duties, other relevant taxes payable by the relevant member of the Taobao China Group and/or the Alipay Group (as the case may be), and packaging and delivery costs) purchased from the relevant member of the Taobao China Group and/or the Alipay Group (as the case may be) will be determined at the time of the particular purchase based on arm's-length negotiation with due regard to (i) the purchase price charged for the same category of services as the Relevant Technical Services offered by independent suppliers at the time of a particular transaction; and (ii) the price of the same Relevant Technical Services generally offered on the market by independent third parties. The purchase price for the Relevant Technical Services may be in the form of software service charges, information service fees, delivery charges, rent, deposits, transaction processing charges and any other forms as agreed between (i) the Group and (ii) the Taobao China Group and/or the Alipay Group (as the case may be) in writing from time to time.

For further details of the Master Technical Services Agreement, please refer to the announcement of the Company dated 10 June 2020.

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

The annual cap of "Technical services between the Group and Alibaba Group" for the year ended 31 December 2020 and the year ended 31 December 2021 are RMB150,000,000 and RMB200,000,000 respectively, while the actual transaction amount of the year ended 31 December 2020 and the three months ended 31 March 2021 are approximately RMB28.3 million and RMB8.5 million respectively.

The Independent Non-Executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

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

b) on normal commercial terms or better; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 33 to 57 of this annual report in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor has reported to the Directors that (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors; (ii) for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap disclosed in the announcements made by the Company for the fifteen months ended 31 March 2021.

Securities Transactions by Directors

The Company has devised its own code of conduct regarding Directors' dealing in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company Code and the Model Code throughout the fifteen months ended 31 March 2021.

Corporate Governance

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

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

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and also discussed auditing, internal controls and financial reporting matters, including the review of the consolidated financial statements for the fifteen months ended 31 March 2021 with the external auditors, KPMG, and with management.

Major Customers and Suppliers

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

Auditors

The consolidated financial statements for the fifteen months ended 31 March 2021 have been reviewed by the Audit Committee of the Company, approved by the Board and have been audited by KPMG.

On 10 May 2021, the Board resolved that, following the Alibaba Group becoming the controlling shareholder of the Company since October 2020, and with the accounting principles and standards applicable to the Company and to the Alibaba Group becoming increasingly sophisticated and complex, it would be in the best interest of the Company and its shareholders as a whole for the Company to appoint the same auditors as the Alibaba Group, i.e. PricewaterhouseCoopers, for the alignment of the audit work and with a view to enhancing the efficiency of the audit services. The Company has reached a mutual understanding with KPMG that they will not offer themselves for re-appointment at the Annual General Meeting and will retire as the auditors of the Company upon expiration of their current term of office with effect from the conclusion of the Annual General Meeting.

With the recommendation from the Audit Committee, the Board proposes to appoint PricewaterhouseCoopers as the new auditors of the Company upon the retirement of KPMG subject to the approval of shareholders of the Company at the Annual General Meeting.

The Company has received a confirmation letter dated 10 May 2021 from KPMG confirming that there are no matters in relation to their retirement that need to be brought to the attention of the Directors. The Board and the Audit Committee have also confirmed that there are no other matters in relation to the proposed change of auditors that need to be brought to the attention of the shareholders.

Accordingly, an ordinary resolution will be proposed at the AGM in relation to the approval of the appointment of PricewaterhouseCoopers as the auditors of the Group following the retirement of KPMG with effect from the conclusion of the AGM and until the conclusion of the next annual general meeting of the Company, as well as the authorization of the Board to fix the remuneration of the new auditors.

Compliance with the Relevant Laws and Regulations

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

Environmental and Social Responsibilities

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

Detail information on the ESG practices adopted by the Company is set out in the Environmental, Social and Governance Report which will be presented in a separate report and published on the websites of the Company and the HKEX within five months after the financial year end date of the Company.

Events after the Reporting Period

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

By order of the Board

LIN Xiaohai
Executive Director
and
Chief Executive Officer

10 May 2021

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

RISK ASSOCIATED WITH THE GROUP BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE INDUSTRY IN THE PRC

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

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

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

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

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

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

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the fifteen months ended 31 March 2021.

CORPORATE GOVERNANCE PRACTICES

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

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

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

In the 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.

For the period from 1 January 2020 to 16 October 2020, the positions of Chairman and Chief Executive Officer were held by Mr. ZHANG Yong and Mr. HUANG Ming-Tuan respectively.

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**"), 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. 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 Company's 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.

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.

BOARD OF DIRECTORS

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

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

Board Composition

The Board currently comprises seven Directors, consisting of one Executive Director, three Non-Executive Directors and three Independent Non-Executive Directors.

As at the date of this annual report, the composition of the Board is set out below:

Executive Director

LIN Xiaohai, *Chief Executive Officer*

Non-Executive Directors

HUANG Ming-Tuan, *Chairman*
LI Yonghe
XU Hong

Independent Non-Executive Directors

Karen Yifen CHANG
Dieter YIH
Charles Sheung Wai CHAN

Notes:

(1) Mr. HUANG Ming-Tuan was appointed as the Chairman of the Board on 17 October 2020. He ceased to be the Chief Executive Officer on 10 May 2021 and has been redesignated from Executive Director to Non-Executive Director on the same date.

(2) Mr. ZHANG Yong resigned as Non-Executive Director and Chairman of the Board on 19 December 2020.

(3) Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ; Mr. Xavier, Marie, Alain DELOM de MEZERAC; Mr. Edgard, Michel, Marie BONTE; Mr. CHEN Jun and Mrs. Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER resigned as Non-Executive Directors on 19 December 2020.

(4) Mr. LIN Xiaohai was appointed as Executive Director on 22 December 2020 and Chief Executive Officer on 10 May 2021.

(5) Mr. LI Yonghe and Mr. XU Hong were appointed as Non-Executive Directors respectively on 22 December 2020.

(6) Mr. Charles Sheung Wai CHAN was appointed as Independent Non-Executive Director while Mr. HE Yi and Mr. Desmond MURRAY resigned as Independent Non-Executive Directors on 31 January 2021.

The biographical information of the Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 17 to 20 of the 2020/2021 Annual Report for the fifteen months ended 31 March 2021.

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

Chairman and Chief Executive Officer

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

Independent Non-Executive Directors

During the fifteen months ended 31 March 2021, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors representing one-third of the Board with two of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-Executive Directors and Re-election of Directors

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

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

Responsibilities of the Directors

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the fifteen months ended 31 March 2021, the Company organized training sessions for all directors. Such training sessions cover a wide range of relevant topics including directors' duties, continuing connected transaction, sharing perspectives from industry practitioners on making inroads into good Corporate Governance and ESG management and updates on Listing Rules. In addition, relevant reading materials including legal and regulatory update have been provided to the directors for their reference and study.

BOARD COMMITTEES

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

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

Audit Committee

The roles and functions of the Audit Committee are set out in its terms of reference. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to assist the Board in overseeing and reviewing (i) the effectiveness of the Company's risk management and internal control systems and regulatory compliance of the Group; (ii) the balance, transparency and integrity of the Company's financial statements and application of financial reporting principles; and (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) agree with internal auditors for their annual plan of work and the results of this work.

During the fifteen months ended 31 March 2021, the Audit Committee held six meetings to review the annual and interim financial results and reports for the year ended 31 December 2019, for the six months ended 30 June 2020 and for the twelve months ended 31 December 2020 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works, and connected transactions and arrangements for employees to raise concerns about possible improprieties.

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

Remuneration Committee

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

During the fifteen months ended 31 March 2021, the Remuneration Committee held four meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, appointments, service agreements and remuneration packages of the Executive Director, Non-Executive Directors and Independent Non-Executive Director, the remuneration package of the Chief Financial Officer and other related matters.

Nomination Committee

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

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

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

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

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

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

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

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

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

During the fifteen months ended 31 March 2021, the Nomination Committee held four meetings to review the structure, size and composition of the Board and the independence of the Independent Non-Executive Directors and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

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

During the fifteen months ended 31 March 2021, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Company Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS

The attendance records of each Director at the meetings of the Board and Board Committees and the general meeting of the Company held during the fifteen months ended 31 March 2021 are set out below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
HUANG Ming-Tuan	9/9	N/A	N/A	N/A	1/1
LIN Xiaohai *(appointed on 22 December 2020)*	4/4	N/A	N/A	N/A	N/A
LI Yonghe *(appointed on 22 December 2020)*	4/4	N/A	N/A	N/A	N/A
XU Hong *(appointed on 22 December 2020)*	4/4	2/2	1/1	1/1	N/A
Karen Yifen CHANG	9/9	6/6	4/4	4/4	1/1
Dieter YIH	9/9	6/6	4/4	4/4	1/1
Charles Sheung Wai CHAN *(appointed on 31 January 2021)*	1/1	1/1	N/A	N/A	N/A
ZHANG Yong *(resigned on 19 December 2020)*	4/4	N/A	N/A	N/A	1/1
Benoit, Claude, Francois, Marie, Joseph LECLERCQ *(resigned on 19 December 2020)*	4/4	N/A	N/A	N/A	1/1
Xavier, Marie, Alain DELOM de MEZERAC *(resigned on 19 December 2020)*	4/4	4/4	N/A	N/A	1/1
Edgard, Michel, Marie BONTE *(resigned on 19 December 2020)*	4/4	N/A	2/2	2/2	1/1
CHEN Jun *(resigned on 19 December 2020)*	4/4	N/A	2/2	2/2	1/1
Isabelle, Claudine, Françoise BLONDÉ ép. BOUVIER *(resigned on 19 December 2020)*	4/4	4/4	2/2	2/2	1/1
Desmond MURRAY *(resigned on 31 January 2021)*	6/6	5/5	3/3	3/3	1/1
HE Yi *(resigned on 31 January 2021)*	6/6	5/5	3/3	3/3	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-Executive Directors without the presence of other Directors during the fifteen months ended 31 March 2021.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the fifteen months ended 31 March 2021.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 77 to 85.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, KPMG, in respect of audit services and non-audit services, mainly tax services, for the fifteen months ended 31 March 2021 is shown on note 4(c) of the "Notes to the Consolidated Financial Statements" on page 123.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Board, through the Audit Committee, has reviewed and confirmed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the fifteen months ended 31 March 2021, including the adequacy of resources, staff qualification and experience, training programs and budget of the Company's accounting and reporting function.

The management of the Company monitors the assessment of the risk management and internal controls and has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the fifteen months ended 31 March 2021.

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

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit findings and considered that, for the fifteen months ended 31 March 2021, the risk management and internal control systems of the Company are effective and adequate.

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

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

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

DIVIDEND POLICY

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

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

The payment of dividend is subject to compliance with applicable laws and regulations including the laws of Hong Kong and the Company's articles of association. In addition, the declaration and payment of dividends may be limited by legal restrictions or financial instruments that the Company may enter into in the future.

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

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, external service provider, and Ms. CHO Wing Han, was appointed as the Company's company secretary with effect from 1 November 2019. Her primary contact person at the Company are Ms. Desory WAN Yiwan, the Chief Financial Officer, and Ms. Helen HO, Legal Manager of the Company.

All Directors have access to the advice and services of the company secretary on corporate governance and Board practices and matters. During the fifteen months ended 31 March 2021, Ms. Cho undertook not less than 15 hours of relevant professional trainings.

SHAREHOLDERS' RIGHTS

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

Convening General Meeting

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

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

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

Independent auditor's report to the shareholders of
Sun Art Retail Group Limited

OPINION

We have audited the consolidated financial statements of Sun Art Retail Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 86 to 171, which comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fifteen months period then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and of its consolidated financial performance and its consolidated cash flows for the fifteen months period then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

• obtaining, on a sample basis, the external confirmations of the amount of discounts and rebates and reimbursements earned from suppliers and the outstanding trade payable balances as at year end directly from suppliers; and

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

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><td>Valuation of inventories</td><td></td></tr>
<tr><td colspan="2">Refer to note 12 and the accounting policies set out in note 1(n) to the consolidated financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Inventories are carried at the lower of cost and net realisable value.

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

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

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

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

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

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

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

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

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

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

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

KEY AUDIT MATTERS (CONTINUED)

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

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

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

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

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

• understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in place within the process relating to potential impairment of property, plant and equipment including right-of-use assets of certain of the Group's stores;

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

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

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

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Potential impairment of property, plant and equipment including right-of-use assets of certain of the Group's stores (continued)

Refer to notes 4(c) and 10 and the accounting policies as set out in note 1(m)(ii) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
For owned stores where an indicator of impairment is identified, a valuation of the related property is carried out by independent professional valuers to determine the fair value of the property, plant and equipment. In preparing the discounted cash flow forecasts, key inputs, including future revenue growth rates, future margins and future costs of each stores are determined by management taking into consideration factors which include contributions from all retail streams, committed remodeling plans for the stores, changes in product mix and changes in expected customers numbers, all of which involve the exercise of significant management judgement. We identified potential impairment of property, plant and equipment including right-of-use assets of certain of the Group's stores as a key audit matter because identifying impairment indicators and determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows and estimating the recoverable amounts of these assets, both of which are inherently uncertain and could be subject to management bias.	• discussing with the independent professional valuers engaged by management to carry out the valuations of owned properties to evaluate their experience, competence, capabilities and objectivity and to understand the methodologies adopted and key inputs used in the valuation of properties; • comparing the most significant inputs used in the valuation of owned properties, including market rent and yield, with the rental agreements for the Group's other comparable leased stores and market information; and • assessing the reasonableness of the disclosures in the consolidated financial statements in respect of impairment testing of property, plant and equipment including right-of-use assets relating to the stores, including the key assumptions and sensitivities to changes in such assumptions, with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Other income arising from recognition of unutilised balances on aged prepaid cards	
Refer to notes 3 and 18 the accounting policies in note 1(w)(iii) to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 March 2021, the Group had approximately RMB11.7 billion of unutilised balances of prepaid cards issued by the Group classified within "contract liabilities". The Group's accounting policy is to recognise revenue from prepaid cards as and when the cards are used by customers to purchase goods or services. Most prepaid cards are used by customers within the Group's stores shortly after they have been purchased. The remaining balance of the prepaid cards may be used in a later period or remain unused indefinitely. The Group recognises income from prepaid cards which have been inactive for an extended period once it is possible to determine with a sufficiently high degree of probability that the likelihood of future utilisation is remote. The Group engages an independent actuarial firm each year to assist in employing statistical methods to analyse the patterns of usage of prepaid cards. Using this additional information about the utilisation patterns and trends of prepaid cards, management estimates the amount of the outstanding balances on aged prepaid cards which are unlikely ever to be utilised. As a result, the Group has recognised RMB278 million as other income in the consolidated statement of profit and loss and other comprehensive income for the fifteen months ended 31 March 2021 (2019 twelve months: RMB192 million) We identified the recognition of other income arising from the recognition of unutilised balances on aged prepaid cards as a key audit matter because of the inherent forecasting uncertainty in estimating amounts which are unlikely to ever be utilised in the future and the exercise of significant judgement by management in determining the length of time that needs to elapse before the risk of reversal of other income for each group of prepaid cards where income has been recognised can be considered remote.	Our audit procedures to assess the recognition of other income arising from the recognition of unutilised balances on aged prepaid cards included the following: • assessing whether the Group's revenue recognition accounting policies were consistent with the requirements of the prevailing accounting standards; • assessing whether other income recognised up to the end of the reporting period was determined in a manner consistent with the Group's revenue recognition accounting policies by recalculating the other income recognised based on the parameters in the Group's revenue recognition accounting policies; • assessing the reasonableness of management's estimation of the amount of balances of aged prepaid cards which are unlikely to be utilised by comparing, on a sample basis, management's estimation of utilisation at the end of the prior year with the actual utilisation in the current year; • assessing, on a sample basis, whether the data in the prepaid card systems' issuance and utilisation records was consistent with the corresponding cash receipts and store sales recorded in the Group's financial systems by test checking the Group's reconciliations between the respective systems; • using our internal actuarial specialists to assist us in evaluating and assessing the experience, competence, capabilities and objectivity of the independent actuary engaged by management and the methodology used in the preparation of the estimates of future utilisation of prepaid cards; • testing that the issuance and utilisation data used by the actuary was consistent with the records in the Group's systems; and • assessing the relevant disclosures in the consolidated financial statements in relation to the contract liability and other income arising from the recognition of unutilised balances on prepaid cards with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 May 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Fifteen Months ended 31 March 2021

	Notes	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
Revenue	2	**124,334**	95,357
Cost of sales		**(93,247)**	(69,626)
Gross profit		**31,087**	25,731
Other income	3	**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	4(a)	**(680)**	(623)
Share of results of associates and joint ventures		**(3)**	(15)
Profit before taxation	4	**5,074**	4,252
Income tax	5(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	9	RMB0.37	RMB0.30

The accompanying notes set out on pages 93 to 171 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period/year are set out in note 20(b).

	Notes	As at 31 March 2021 RMB million	As at 31 December 2019 RMB million
Non-current assets			
Investment properties	10	**6,239**	6,699
Other property, plant and equipment	10	**27,149**	28,572
		33,388	35,271
Intangible assets	11	**29**	25
Goodwill		**140**	99
Equity-accounted investees		**2**	17
Deferred tax assets	19	**1,126**	1,052
		34,685	36,464
Current assets			
Inventories	12	**9,990**	17,724
Trade and other receivables	13	**3,267**	2,962
Time deposits		**18**	16
Restricted deposits	14(a)	**1,169**	769
Financial assets measured at FVPL	14(b)	**12,002**	–
Cash and cash equivalents	15	**8,096**	13,251
		34,542	34,722
Current liabilities			
Trade and other payables	16	**20,644**	25,827
Lease liabilities	17	**1,169**	1,057
Contract liabilities	18	**11,984**	10,669
Income tax payables	5(c)	**319**	459
		34,116	38,012
Net current assets/(liabilities)		**426**	(3,290)
Total assets less current liabilities		**35,111**	33,174

The accompanying notes set out on pages 93 to 171 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	As at 31 March 2021 RMB million	As at 31 December 2019 RMB million
Non-current liabilities			
Lease liabilities	*17*	**6,882**	7,511
Other financial liabilities		**50**	50
Deferred tax liabilities	*19*	**325**	255
		7,257	7,816
Net assets		**27,854**	25,358
Capital and reserves			
Share capital	*20*	**10,020**	10,020
Reserves	*20*	**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

Approved and authorised for issue by the board of directors on 10 May 2021.

LIN Xiaohai
Executive Director
and
Chief Executive Officer

HUANG Ming-Tuan
Non-Executive Director
and
Chairman

The accompanying notes set out on pages 93 to 171 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial statements for the fifteen months ended 31 March 2021

		Attributable to equity shareholders of the Company							
		Share capital	Capital reserve	Exchange reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
Fifteen months ended 31 March 2021	*Notes*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Balance at 1 January 2020		**10,020**	**1,831**	**45**	**1,468**	**10,561**	**23,925**	**1,433**	**25,358**
Changes in equity for period:									
Profit for the period		–	–	–	–	3,572	3,572	199	3,771
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	3,572	3,572	199	3,771
Dividend declared and paid in respect of previous years	*20(b)(ii)*	–	–	–	–	(1,310)	(1,310)	–	(1,310)
Dividends declared and payable to non-controlling shareholders		–	–	–	–	–	–	(86)	(86)
Profit appropriation to statutory reserve	*20(d)(iii)*	–	–	–	92	(92)	–	–	–
Acquisition of non-controlling interests	*20(d)(i)*	–	(5)	–	–	–	(5)	(3)	(8)
Cash injection from non-controlling interests		–	–	–	–	–	–	97	97
Cash injection from Employee Trust Benefit Schemes	*20(d)(i)*	–	41	–	–	–	41	24	65
Liquidation of a subsidiary	*20(d)(i)*	–	44	–	–	(44)	–	(33)	(33)
Balance at 31 March 2021		**10,020**	**1,911**	**45**	**1,560**	**12,687**	**26,223**	**1,631**	**27,854**

The accompanying notes set out on pages 93 to 171 form part of these financial statements.

	Note	**Fifteen months ended 31 March 2021 RMB million**	Year ended 31 December 2019 RMB million
Operating activities			
Profit before taxation		**5,074**	4,252
Adjustments for:			
Income from aged unutilised prepaid cards		**(278)**	(192)
Depreciation		**5,070**	4,382
Amortisation of intangible assets		**19**	22
Impairment losses on property, plant and equipment including right-of-use assets and intangible assets		**354**	198
Impairment losses on investment in an associate		**–**	12
Finance costs		**680**	623
Interest income		**(393)**	(462)
Gain on financial assets measured at FVPL		**(265)**	–
Loss on disposal of investment properties, other property, plant and equipment and intangible assets including disposal of right-of-use assets and lease liabilities		**16**	30
Net gain from sale of investment property		**(10)**	–
Share-based payments		**–**	(4)
Share of results of associates and joint ventures		**3**	15
Net foreign exchange loss/(gain)		**16**	(25)
		10,286	8,851
Changes in working capital:			
Decrease/(increase) in inventories		**7,742**	(3,256)
Increase in trade and other receivables		**(232)**	(370)
Decrease in trade and other payables		**(5,518)**	(246)
Increase in contract liabilities		**1,593**	1,754
Increase in restricted deposits		**(400)**	(769)
Cash generated from operations		**13,471**	5,964
Income tax paid	*5(c)*	**(1,447)**	(1,359)
Net cash generated from operating activities		**12,024**	4,605

CONSOLIDATED CASH FLOW STATEMENT

For the fifteen months ended 31 March 2021

	Note	**Fifteen months ended 31 March 2021** **RMB million**	Year ended 31 December 2019 *RMB million*
Investing activities			
Payment for purchase of investment properties and other property, plant and equipment		**(2,503)**	(2,274)
Payment for investment in a joint venture and an associate		**–**	(3)
Net changes in time deposits with maturity over three months		**(2)**	(1)
Proceeds from sale of investment properties, other property, plant and equipment, including right-of-use assets		**133**	16
Payment for purchase of intangible assets		**(23)**	(8)
Interest received		**393**	462
Payment for the purchase of financial assets measured at FVPL		**(42,415)**	–
Proceeds from redemption of financial assets measured at FVPL		**30,678**	–
Net cash outflow for liquidation of a subsidiary		**(49)**	–
Payment for acquisition of subsidiaries, net of cash acquired		**(45)**	–
Net cash used in investing activities		**(13,833)**	(1,808)
Financing activities			
Payment for acquisition of non-controlling interests		**(8)**	(42)
Capital element of lease rentals paid		**(1,257)**	(1,086)
Interest element of lease rentals paid		**(668)**	(615)
Cash injection from non-controlling interests		**97**	–
Repayment of bank loans and other borrowings		**–**	(1)
Other borrowing cost paid		**(12)**	(8)
Dividends paid to shareholders of the Company		**(1,310)**	(1,153)
Dividends paid to non-controlling shareholders		**(188)**	(110)
Net cash used in financing activities		**(3,346)**	(3,015)
Net decrease in cash and cash equivalents		**(5,155)**	(218)
Cash and cash equivalents at 1 January 2020/2019		**13,251**	13,469
Effect of foreign exchange rate changes		**–**	–
Cash and cash equivalents at 31 March 2021/31 December 2019	*15*	**8,096**	13,251

The accompanying notes set out on pages 93 to 171 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. *These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").* Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "**Group**") are disclosed below.

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. The comparative financial period covers the previously reported twelve month period from 1 January 2019 to 31 December 2019.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the 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 measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for derivative financial instruments that are stated at fair value (see note 1(l)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

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

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

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

(c) 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 financial report.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Change in accounting policies (continued)

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 reporting period. 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 (see Note 10(viii)). There is no impact on the opening balance of equity at 1 January 2020.

(d) Subsidiaries and non-controlling interests

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(e) Associates and joint ventures

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(g) Investment property

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other property, plant and equipment

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (other than goodwill)

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

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

- Software 2 – 5 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

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

(i) As a lessee

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(i) As a lessee (continued)

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

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

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

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(ii) As a lessor

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

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

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

(k) Other investments in debt and equity securities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Investments other than equity investments

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(w)(v)).

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

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

(ii) Equity investments

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Derivative financial instruments

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

(m) Credit losses and Impairment of assets

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

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

– Financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

– Contract assets as defined in HKFRS 15;

– Debt securities measured at FVOCI (recycling); and

– Lease receivables.

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

Measurement of ECLs

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement of ECLs (continued)

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Significant increases in credit risk (continued)

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Basis of calculation of interest income

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

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

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

– Significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Impairment of other non-current assets

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

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

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

– intangible assets;

– goodwill; and

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(n) Inventories

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories (continued)

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

(o) Contract assets and contract liabilities

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

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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

(p) Trade and other receivables

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Cash and cash equivalents

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

(r) Trade and other payables

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

(s) Interest-bearing borrowings

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

(t) Employee benefits

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

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

(ii) Share-based payments

(a) Cash-settled share-based payments

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(ii) Share-based payments (continued)

(b) Share-based payments among group entities

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

(iii) Termination benefits

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

(u) Income tax

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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

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

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

  – the same taxable entity; or

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

(v) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

(ii) Onerous contracts

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income

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

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

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

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

(i) Sales of goods

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income (continued)

(ii) Rental income from operating leases

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

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

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

(iv) Service income

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

(v) Interest income

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

(vi) Government grants

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income (continued)

(vii) Dividend income

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

(x) Translation of foreign currencies

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

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

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

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

(y) Borrowing costs

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(aa) Segment reporting

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment reporting (continued)

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

2 REVENUE AND SEGMENT REPORTING

The principal activity of the Group is the operation of 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 operated in the PRC, have similar economic characteristics, and are similar in respect of products and services provided and customer type, the Group has one reportable operating segment which is the operation of brick-and-mortar stores and online sales channels in the PRC.

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:

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *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.

3 OTHER INCOME

	Fifteen months ended 31 March 2021 *RMB million*	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 sales of investment property	**10**	–
Government grants	**418**	182
	2,065	1,489

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Fifteen months ended 31 March 2021 *RMB million*	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

	Fifteen months ended 31 March 2021 *RMB million*	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

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

(i) Contributions to defined contribution retirement plans

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

(ii) Contributions to Employee Trust Benefit Schemes

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

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

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

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *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

4 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items (continued)

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
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)

5 INCOME TAX

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

	Fifteen months ended 31 March 2021 ***RMB million***	Year ended 31 December 2019 *RMB million*
Current tax – Hong Kong Profits Tax		
Provision for the period/year	**4**	2
Current tax – PRC income tax		
Provision for the period/year	**1,286**	1,273
Under/(over)-provision in respect of prior years	**17**	(6)
	1,307	1,269
Deferred tax		
Origination of temporary differences (note 19(a))	**(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 for the fifteen months ended 31 March 2021 (Year ended 31 December 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.

5 INCOME TAX (CONTINUED)

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

Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, for the portion of annual taxable income which does not exceed RMB1 million, the annual taxable income shall be deducted to 25% and the income tax shall be calculated at the rate of 20%; for the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), the taxable income shall be deducted by 50% and the income tax shall be calculated at the rate of 20%. Approximately 5% of PRC subsidiaries of the Group enjoy this preferential income tax treatment for 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 the 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 (Note 19(d)).

5 INCOME TAX (CONTINUED)

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

	Fifteen months ended 31 March 2021 *RMB million*	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:

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

6 DIRECTORS' EMOLUMENTS

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

	Fifteen months ended 31 March 2021					
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Contributions to retirement schemes *RMB'000*	Discretionary bonus *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
LIN Xiaohai *(effective from 22 December 2020) (Note i)*	–	–	–	–	–	–
HUANG Ming-Tuan *(redesignated as Non-Executive Director on 10 May 2021)*	–	13,360	–	–	–	13,360
Non-executive directors						
ZHANG Yong *(effective until 19 December 2020)*	–	–	–	–	–	–
CHEN Jun *(effective until 19 December 2020)*	–	–	–	–	–	–
LI Yonghe *(effective from 22 December 2020)*	–	–	–	–	–	–
XU Hong *(effective from 22 December 2020)*	–	–	–	–	–	–
Benoit, Claude, Francois, Marie, Joseph LECLERCQ *(effective until 19 December 2020)*	–	–	–	–	–	–
Edgard, Michel, Marie, BONTE *(effective until 19 December 2020)*	–	–	–	–	–	–
Xavier, Marie, Alain DELOM de MEZERAC *(effective until 19 December 2020)*	–	–	–	–	–	–
Isabelle Claudine, Françoise BLONDÉ ép. BOUVIER *(effective until 19 December 2020)*	–	–	–	–	–	–
Independent non-executive directors						
Charles Sheung Wai CHAN *(effective from 31 January 2021)*	66	–	–	–	–	66
Karen Yifen CHANG	413	–	–	–	–	413
HE Yi *(effective until 31 January 2021) (Note iii)*	340	–	–	–	–	340
Desmond MURRAY *(effective until 31 January 2021) (Note iii)*	411	–	–	–	–	411
Dieter YIH	408	–	–	–	–	408
Total	1,638	13,360	–	–	–	14,998

6 DIRECTORS' EMOLUMENTS (CONTINUED)

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

Notes:

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

(ii) No director of the Company agreed to waive any remuneration during the fifteen months period ended 31 March 2021.

(iii) RMB181 thousand was paid to two of the directors in total as compensation for early termination of the appointment during the fifteen months period ended 31 March 2021 (31 December 2019: Nil). Except for that, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five highest paid individuals of the Group during the year, one (2019: one) of whom are directors of the Company, are as follows:

	Fifteen months ended 31 March 2021 ***RMB'000***	Year ended 31 December 2019 *RMB'000*
Salaries, allowances and benefits in kind	**47,449**	41,785
Contributions to retirement schemes	**–**	–
Discretionary bonus	**–**	–
Share-based payments	**–**	–
	47,449	41,785

The emoluments of the 5 individuals with the highest emoluments are within the following bands:

	Fifteen months ended 31 March 2021 Number of individuals	Year ended 31 December 2019 Number of individuals
HKD6,000,001 – HKD6,500,000	**–**	1
HKD6,500,001 – HKD7,000,000	**–**	2
HKD7,500,001 – HKD8,000,000	**1**	–
HKD8,500,000 – HKD9,000,000	**2**	–
HKD13,000,000 – HKD13,500,000	**–**	2
HKD15,500,000 – HKD16,000,000	**1**	–
HKD16,000,001 – HKD16,500,000	**1**	–
	5	5

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB1,060 million for the fifteen months ended 31 March 2021 (Year ended 31 December 2019: a profit of RMB1,372 million), which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 20(b).

9 EARNINGS PER SHARE

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

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

10 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land held for own use	Other properties leased for own use	Buildings	Leasehold improvements	Store and other equipment	Office equipment	Motor vehicles	Construction in progress	Sub-total	Investment properties	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cost:											
At 1 January 2019	5,290	9,800	12,294	4,678	19,102	2,988	297	815	55,264	10,035	65,299
Additions	92	54	163	77	499	257	15	631	1,788	129	1,917
Transfer	–	–	(122)	73	198	48	29	(360)	(134)	132	(2)
Disposals	–	(308)	(9)	(310)	(302)	(150)	(37)	–	(1,116)	(83)	(1,199)
At 31 December 2019	5,382	9,546	12,326	4,518	19,497	3,143	304	1,086	55,802	10,213	66,015
At 1 January 2020	**5,382**	**9,546**	**12,326**	**4,518**	**19,497**	**3,143**	**304**	**1,086**	**55,802**	**10,213**	**66,015**
Additions	**250**	**740**	**90**	**185**	**631**	**322**	**20**	**1,257**	**3,495**	**182**	**3,677**
Transfer	**8**	**–**	**777**	**122**	**936**	**12**	**15**	**(1,894)**	**(24)**	**24**	**–**
Disposals	**(39)**	**–**	**(88)**	**(177)**	**(221)**	**(84)**	**(31)**	**(45)**	**(685)**	**(57)**	**(742)**
At 31 March 2021	**5,601**	**10,286**	**13,105**	**4,648**	**20,843**	**3,393**	**308**	**404**	**58,588**	**10,362**	**68,950**

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

	Ownership interests in land held for own use	Other properties leased for own use	Buildings	Leasehold improvements	Store and other equipment	Office equipment	Motor vehicles	Construction in progress	Sub-total	Investment properties	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Accumulated depreciation and impairment:											
At 1 January 2019	(1,078)	(3,294)	(3,854)	(3,181)	(10,511)	(1,964)	(233)	(45)	(24,160)	(2,986)	(27,146)
Charge for the year	(142)	(963)	(421)	(318)	(1,555)	(382)	(28)	–	(3,809)	(573)	(4,382)
Written back on disposals	–	184	7	303	271	138	36	–	939	42	981
Impairment losses	–	11	–	(88)	(111)	(12)	–	–	(200)	3	(197)
At 31 December 2019	(1,220)	(4,062)	(4,268)	(3,284)	(11,906)	(2,220)	(225)	(45)	(27,230)	(3,514)	(30,744)
At 1 January 2020	**(1,220)**	**(4,062)**	**(4,268)**	**(3,284)**	**(11,906)**	**(2,220)**	**(225)**	**(45)**	**(27,230)**	**(3,514)**	**(30,744)**
Charge for the period	**(200)**	**(1,042)**	**(578)**	**(339)**	**(1,835)**	**(441)**	**(33)**	**–**	**(4,468)**	**(602)**	**(5,070)**
Written back on disposals	**8**	**–**	**65**	**165**	**209**	**78**	**28**	**45**	**598**	**8**	**606**
Impairment losses	**–**	**(26)**	**–**	**(160)**	**(106)**	**(6)**	**–**	**(41)**	**(339)**	**(15)**	**(354)**
At 31 March 2021	**(1,412)**	**(5,130)**	**(4,781)**	**(3,618)**	**(13,638)**	**(2,589)**	**(230)**	**(41)**	**(31,439)**	**(4,123)**	**(35,562)**
Net book value:											
At 31 March 2021	**4,189**	**5,156**	**8,324**	**1,030**	**7,205**	**804**	**78**	**363**	**27,149**	**6,239**	**33,388**
At 31 December 2019	4,162	5,484	8,058	1,234	7,591	923	79	1,041	28,572	6,699	35,271

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

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

(ii) The Group obtains leasehold land use rights for periods ranging from 30 to 70 years where complexes of brick-and-mortar stores are located among which, part of the brick-and-mortar store area and related leasehold land are for own use, and part are sublet to earn rental income, including variable lease payments and fixed lease payments.

(iii) As at 31 March 2021, the Group was in the process of obtaining ownership certificates for certain land use rights which were classified as right-of-use assets (Note 10(viii)) and buildings with an aggregate carrying amount of RMB1,963 million (Year ended 31 December 2019: RMB2,298 million). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these land use rights and buildings as at 31 March 2021 and 31 December 2019.

(iv) As set out in note 1(g), the Group has applied the cost model for its investment properties.

An independent professional valuer has been engaged to measure the fair value of the retail galleries located in the buildings of brick-and-mortar stores owned or leased by the Group. The valuation included the fair value of the buildings, the associated leasehold land use rights and the right-of-use assets related to the lease properties used for the retail galleries which were classified as investment properties. As at 31 March 2021, the total fair value of the investment properties was RMB21,285 million (Year ended 31 December 2019: RMB22,775 million).

The valuation technique and significant unobservable inputs used to estimate the fair value of the investment properties are set forth in the table of note 10(v). The fair value measurement for investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used. There have been no changes in valuation technique compared to that used in the prior year.

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

(v)

Valuation technique	Significant unobservable inputs
Income approach by capitalising the net rental incomes derived from the existing tenancies with due allowance for any reversionary income potential of the properties.	• Market rent: The market rent is estimated according to the comparable properties in close proximity. The higher the market rent, the higher the fair value of the properties. • Yield: The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. The range of adopted yield is from 4.75% to 7.00% (Year ended 31 December 2019: 5.0% to 7.0%)

(vi) The Group leases out investment properties and certain other property, plant and equipment within the buildings of brick-and-mortar stores under operating leases which typically run for an initial period of 1 to 3 years. The Group's total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	As at 31 March 2021	As at 31 December 2019
	RMB million	*RMB million*
Within 1 year	**3,623**	3,671
After 1 year but within 5 years	**1,154**	1,279
After 5 years	**350**	426
	5,127	5,376

In addition to the minimum amounts disclosed above, certain lessees have commitments to pay additional rent to the Group if their sales revenue exceeds predetermined levels. Contingent rental receivables are not included in the above.

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

(vii) As at 31 March 2021, the carrying amount of leasehold improvements, equipment and right-of-use assets in certain stores of the Group were written down to their estimated recoverable amount of RMB244 million. The impairment losses of RMB354 million (2019: RMB197 million) were recognised in "Operating costs" during the fifteen months ended 31 March 2021.

The estimates of recoverable amount were determined based on the higher of the stores' value in use and its fair value less costs of disposal. In determining the value in use, the post-tax discount rate of 11.00% (2019: 10.00%) was used, reflecting the current market assessment of the time of money and the risk specific to the stores. In determining the fair value of the relevant assets, the level of fair value hierarchy, the valuation techniques and each key assumption on which management based the estimates are disclosed in note 10(v).

(viii) Right-of-use assets

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset is as follows:

	As at 31 March 2021 *RMB million*	As at 31 December 2019 *RMB million*
Included in "Other property, plant and equipment":		
Ownership interests in leasehold land for own use	**4,189**	4,162
Other properties leased for own use	**5,156**	5,484
	9,345	9,646
Included in "Investment properties":		
Leasehold investment properties	**2,679**	2,994
	12,024	12,640

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

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

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land for own use	**200**	142
Other properties leased for own use	**1,042**	963
Leasehold investment properties	**364**	333
	1,606	1,438
Interest on lease liabilities *(note 4(a))*	**668**	615
Expense relating to short-term leases and leases of low value assets	**558**	390
Variable lease payments not included in the measurement of lease liabilities	**1,109**	811
COVID-19 related rent concessions received	**(56)**	–

During the fifteen months ended 31 March 2021, additions to right-of-use assets were RMB1,059 million which were primarily related to the capitalised lease payments payable under new tenancy agreements (Year ended 31 December 2019:RMB179 million).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 15(b) and 17, respectively.

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

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

(a) Ownership interests in leasehold land for own use

The Group has obtained land use rights in Mainland China where certain complexes of buildings of brick-and-mortar stores are located. The land use rights are typically granted for 30-70 years, on the expiry of which the land reverts back to the PRC state. The payment for leasing the land is normally made in full at the start of the land use right period.

(b) Other properties leased for own use

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

Some leases include an option to renew the lease for an additional period after the end of the contract term or early terminate before the contract term. Where practicable, the Group seeks to include such extension options or early termination options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or early termination options. If the Group is not reasonably certain to exercise the extension options or early termination options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted) *RMB million*	**Potential future lease payments under termination/ extension options not included in lease liabilities (undiscounted)** *RMB million*
31 March 2021		
Retail stores – PRC	**2,985**	**7,561**
31 December 2019		
Retail stores – PRC	2,383	6,324

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

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

(b) Other properties leased for own use (continued)

During the fifteen months ended 31 March 2021, the Group leased a number of buildings for use as buildings of brick-and-mortar stores and for sublease which contain variable lease payment terms that are based on sales generated from the buildings of brick-and-mortar stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in the Mainland China where the Group operates. The following table sets out the relative amounts of fixed and variable lease payments during the year:

	Fixed payments *RMB million*	**Variable payments** *RMB million*	**Total payments** *RMB million*
Fifteen months ended 31 March 2021			
Retail stores – PRC	**790**	**1,109**	**1,899**
Twelve months ended 31 December 2019			
Retail stores – PRC	615	811	1,426

At 31 March 2021, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by RMB55 million (31 December 2019: RMB41 million).

11 INTANGIBLE ASSETS-SOFTWARE

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
Cost:		
At 1 January	**194**	196
Additions	**23**	8
Transfer from construction in progress	**–**	2
Disposal	**–**	(12)
	217	194
Accumulated amortisation:		
At 1 January	**(169)**	(157)
Charge for the period/year	**(19)**	(22)
Impairment	**–**	(1)
Disposal	**–**	11
	(188)	(169)
Net book value:		
At 1 January 2020/2019	**25**	39
At 31 March 2021/31 December 2019	**29**	25

11 INTANGIBLE ASSETS-SOFTWARE (CONTINUED)

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

12 INVENTORIES

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

	As at 31 March 2021 ***RMB million***	As 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:

	Fifteen months ended 31 March 2021 ***RMB million***	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.

13 TRADE AND OTHER RECEIVABLES

	As at 31 March 2021 *RMB million*	As at 31 December 2019 *RMB million*
Trade receivables	**474**	423
Amounts due from related parties (note 24(d))	**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 ageing of which is within one month; and credit sales to corporate customers, the ageing of which is within three months. The ageing of trade receivables is determined based on invoice date.

Rental prepayments mainly represent prepayments for variable rents and deposits which maybe offset against future rentals due to landlords of brick-and-mortar store premises leased by the Group in accordance with the related lease agreements.

Except for prepayments made for property, plant and equipment and intangible assets which will be transferred to the relevant asset category upon receipt or occupation of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year. Details of the Group's credit policy are set out in note 21(a).

14 RESTRICTED DEPOSITS AND FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Restricted deposits

	As at 31 March 2021 *RMB million*	As at 31 December 2019 *RMB million*
Restricted deposits	**1,169**	769

Restricted deposits represent deposits based on unutilised prepaid cards balance and stipulated by PRC authorities in certain regions to be held in specified bank accounts with restricted usage.

(b) 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 as their contractual cash flows are not solely payments for principal and interest.

15 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	As at 31 March 2021 *RMB million*	As at 31 December 2019 *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 and the consolidated statement of cash flows	**8,096**	13,251

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

15 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Total cash outflow for leases

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

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
Within operating cash flows	**1,842**	1,168
Within investing cash flows	**300**	133
Within financing cash flows	**1,925**	1,701
	4,067	3,002

These amounts relate to the following:

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
Lease rentals paid	**3,767**	2,869
Purchase of leasehold properties	**300**	133
	4,067	3,002

16 TRADE AND OTHER PAYABLES

	As at 31 March 2021 *RMB million*	As at 31 December 2019 *RMB million*
Trade payables	**13,250**	18,267
Amounts due to related parties *(note 24(d))*	**311**	217
Construction costs payable	**1,259**	902
Dividends payable to non-controlling interests	**100**	202
Accruals and other payables	**5,724**	6,239
Trade and other payables	**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:

	As at 31 March 2021 *RMB million*	As 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

17 LEASE LIABILITIES

The following table shows the remaining maturities of the Group's reasonably certain lease liabilities at the end of the current and previous reporting periods:

	As at 31 March 2021		As at 31 December 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB million	***RMB million***	*RMB million*	*RMB million*
Within 1 year	**1,169**	**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

18 CONTRACT LIABILITIES

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

(i) Revenue is recognised when customers accept the products so revenue from prepaid cards is recognised when the prepaid cards are redeemed by customers or when the likelihood of future utilisation can be determined to be remote with a sufficiently high degree of probability. Based on recent trends in redemption by customers of the prepaid cards, it is expected that most of the prepaid cards will be redeemed within one year from purchase.

(ii) The amounts of consideration received in advance as prepayments by merchandise customers are short term as the respective revenue is expected to be recognised within a few days when the goods are delivered to customers.

(iii) The Group operates a customer loyalty programme for sales to Business to Business(“**B2B**”) customers where points can be earned by customers and to be used to reduce the cost of future purchases. The contract liability in respect of unredeemed B2B customer loyalty points will be recognised as revenue when the points are redeemed by those customers or expire, which is expected to occur before the end of the following year based on the expiry terms of the loyalty points.

18 CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities:

	Prepaid cards	Advance receipts from customers	Loyalty program points liability	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
Balance at 1 January 2019	8,690	404	13	9,107
Decrease in contract liabilities as a result of recognising revenue or other income during the year that was included in the contract liabilities at the beginning of the year	(4,693)	(404)	(13)	(5,110)
Increase in contract liabilities excluding amounts recognised as revenue during the year	5,947	705	20	6,672
Balance at 31 December 2019	9,944	705	20	10,669
Balance at 1 January 2020	**9,944**	**705**	**20**	**10,669**
Decrease in contract liabilities as a result of recognising revenue or other income during the period that was included in the contract liabilities at the beginning of the period	**(4,129)**	**(705)**	**(20)**	**(4,854)**
Increase in contract liabilities excluding amounts recognised as revenue during the period	**5,901**	**242**	**26**	**6,169**
Balance at 31 March 2021	**11,716**	**242**	**26**	**11,984**

Except for the disclosures above related to redemptions of prepaid cards, advance receipts from customers and customer loyalty program points, the Group applies the practical expedient in paragraph 121 of IFRS 15 for other sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

19 DEFERRED TAX ASSETS AND LIABILITIES

(a) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements are as follows:

	Tax losses	Fair value adjustment in relation to business combinations	Depreciation and amortisation charges in excess of depreciation and amortisation allowances	Income recognized from aged unutilized prepaid cards	Accruals and other timing differences	Depreciation charges of right-of-use assets	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2019	35	(9)	224	(198)	119	564	735
(Charged)/credited to profit or loss	51	-	3	(48)	32	24	62
At 31 December 2019	86	(9)	227	(246)	151	588	797
At 1 January 2020	**86**	**(9)**	**227**	**(246)**	**151**	**588**	**797**
(Charged)/credited to profit or loss	**62**	**1**	**(42)**	**(71)**	**26**	**28**	**4**
At 31 March 2021	**148**	**(8)**	**185**	**(317)**	**177**	**616**	**801**

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

	As at 31 March 2021	As at 31 December 2019
	RMB million	*RMB million*
Net deferred tax assets	**1,126**	1,052
Net deferred tax liabilities	**(325)**	(255)
	801	797

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(u), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB3,069 million as at 31 March 2021 (Year ended 31 December 2019: RMB3,503 million), as it is not probable that future taxable profits against which these losses can be utilised will be available in the subsidiaries concerned.

The unused tax losses from PRC entities can be carried forward up to five years from the year in which the losses originated, and will expire in the following years:

	As at 31 March 2021 *RMB million*	As at 31 December 2019 *RMB million*
2020	**–**	623
2021	**332**	785
2022	**513**	552
2023	**560**	645
2024	**736**	898
2025/2026	**928**	–
	3,069	3,503

(d) Deferred tax liabilities not recognised

No deferred tax liabilities were provided on post-2007 undistributed profits of the Group's PRC subsidiaries for which the Group has no plan to distribute them outside the PRC in the foreseeable future. As at 31 March 2021, such undistributed profits amounted to RMB9,711 million (Year ended 31 December 2019: RMB7,639 million).

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the years are set out as follows:

The Company:

	Share capital *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
Balance at 1 January 2019	10,020	13,322	(425)	1,197	24,114
Changes in equity for 2019:					
Profit for the year	–	–	–	1,372	1,372
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	1,372	1,372
Share-based payments	–	(4)	–	–	(4)
Dividends declared and paid in respect of the previous year	–	–	–	(1,171)	(1,171)
Balance at 31 December 2019	10,020	13,318	(425)	1,398	24,311
Balance at 1 January 2020	**10,020**	**13,318**	**(425)**	**1,398**	**24,311**
Changes in equity for 2020:					
Profit for the period	**–**	**–**	**–**	**1,060**	**1,060**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**1,060**	**1,060**
Dividends declared and paid in respect of the previous year	**–**	**–**	**–**	**(1,310)**	**(1,310)**
Balance at 31 March 2021	**10,020**	**13,318**	**(425)**	**1,148**	**24,061**

20 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	As at 31 March 2021 ***RMB million***	As at 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 (Year ended 31 December 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 the payment was 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 the payment was made on 14 June 2019 for an amount equivalent to RMB1,171 million.

(c) Share capital

	As at 31 March 2021			As at 31 December 2019		
	No. of shares	***HKD million***	***RMB million***	*No. of shares*	*HKD million*	*RMB million*
Ordinary shares, issued and fully paid:						
At 1 January 2020/2019 and 31 March 2021/ 31 December 2019	**9,539,704,700**	**11,697**	**10,020**	9,539,704,700	11,697	10,020

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

20 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly arises from

- the issuance of ordinary shares to acquire the non-controlling interests in ACHK and Concord Champion International Limited ("**CCIL**");
- the excess of the cash injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired (see note 4(b)(ii));
- accumulated share-based payments in relation to stock options and shares granted by Auchan Holding to certain employees of the Group;
- acquisition of additional non-controlling interests; and
- liquidation of a subsidiary

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(x).

(iii) Statutory reserve

The statutory reserve represents statutory reserves which are appropriated by the Group's PRC subsidiaries ("**PRC Companies**"). According to the relevant laws and regulations for foreign investment enterprises and the articles of association for these PRC Companies, profits of the PRC Companies, as determined in accordance with the accounting rules and regulations in the PRC, are available for distribution in the form of cash dividends to investors after the PRC Companies have (1) satisfied all tax liabilities; (2) offset losses in previous years; and (3) made appropriation to the statutory reserve funds, including general reserve fund and enterprise expansion fund.

(e) Distributability of reserves

As at 31 March 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section Part 6 of the CO was RMB1,148 million (Year ended 31 December 2019: RMB1,398 million). After the end of the reporting period the directors proposed a final dividend of HKD0.13 (equivalent to RMB0.11) per ordinary share, amounting to RMB1,032 million (see note 20(b)). This dividend has not been recognised as a liability at the end of the reporting period.

20 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

The Group defines capital as its total equity. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries have significant bank borrowings or are subject to externally imposed capital requirements.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and cash equivalents, time deposits and trade and other receivables. Financial liabilities of the Group include loans and other financial liabilities, lease liabilities and trade and other payables.

The Company's board of directors (the "**Board**") has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

(a) Credit risk

Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to trade and other receivables. Management monitors the exposures to credit risk on an ongoing basis. The Group's exposure to credit risk arising from cash and bank deposits and time deposits is limited because the counterparties are banks located in the PRC and Hong Kong with high credit ratings which the Group considers to have low credit risk.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Credit terms are offered to small corporate customers with whom the Group has an established and ongoing relationship. The credit terms of these customers are approximately one month.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group or the Company does not provide any guarantees which would expose the Group or the Company to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following are the contractual maturities of the Group's financial liabilities at each reporting date, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	At 31 March 2021					
	Contractual undiscounted cash flow					
	Within 1 year or on demand *RMB million*	More than 1 year but less than 2 years *RMB million*	More than 2 years but less than 5 years *RMB million*	More than 5 years *RMB million*	Total *RMB million*	Financial statement carrying amount *RMB million*
Lease liabilities	1,748	1,587	3,340	4,132	10,807	8,051
Trade and other payables	20,644	–	–	–	20,644	20,644
Other financial liabilities	–	–	–	50	50	50
At 31 March 2021	22,392	1,587	3,340	4,182	31,501	28,745

	At 31 December 2019					
	Contractual undiscounted cash flow					
	Within 1 year or on demand *RMB million*	More than 1 year but less than 2 years *RMB million*	More than 2 years but less than 5 years *RMB million*	More than 5 years *RMB million*	Total *RMB million*	Financial statement carrying amount *RMB million*
Lease liabilities	1,634	1,563	3,504	5,290	11,991	8,568
Trade and other payables	25,827	–	–	–	25,827	25,827
Other financial liabilities	–	–	–	50	50	50
At 31 December 2019	27,461	1,563	3,504	5,340	37,868	34,445

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

(i) Interest rate profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

Cash at bank, investments and time deposits, and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk.

The Group's cash at bank, time deposits, interest-bearing borrowings and interest rates as at 31 March 2021 and 31 December 2019 are set out as follows:

	As at 31 March 2021		As at 31 December 2019	
	Effective interest rate	**Carrying Amount**	Effective interest rate	Carrying Amount
		RMB million		*RMB million*
Variable rate instruments:				
Cash at bank and time deposits within three months of maturity	**0.30%~3.20%**	**7,839**	0.30%~1.76%	4,959
Financial assets measured at FVTPL	**2.75%~3.62%**	**12,002**	N/A	–
Other financial assets	**N/A**	**–**	2.65%~3.85%	6,365
		19,841		11,324
Fixed rate instruments:				
Time deposits	**0.35%~0.75%**	**18**	0.50%~0.80%	16
Other financial assets	**N/A**	**–**	2.40%~3.85%	1,538
Restricted deposits	**1.89%**	**1,169**	1.89%	769
Lease liabilities	**5.88~8.98%**	**(8,051)**	5.88%~8.98%	(8,568)
		(6,864)		(6,245)

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates prevailing at the reporting dates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB149 million for the fifteen months ended 31 March 2021 (Year ended 31 December 2019: RMB85 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at each reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the fifteen months ended 31 March 2021 and for the year ended 31 December 2019.

(d) Currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demand and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuation: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) Financial assets measured at fair value (continued)

Fair value hierarchy (continued)

– Level 2 valuation: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuation: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2020	Fair value measurements as at 31 March 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB million	*RMB million*	*RMB million*	*RMB million*
Recurring fair value measurement				
Financial assets:				
– Financial assets measured at FVPL	12,002	–	12,002	–

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 10(v) – investment properties.

During the fifteen months ended 31 March 2021 and the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Fair values of financial assets carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2021 and 31 December 2019.

22 COMMITMENTS

(a) Capital commitments

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

	As at 31 March 2021 *RMB million*	As at 31 December 2019 *RMB million*
Contracted for	**1,450**	1,469
Authorised but not contracted for	**1,170**	467
	2,620	1,936

23 CONTINGENCIES

Legal claims

As at 31 March 2021, legal actions have commenced against the Group by certain customers and certain suppliers and landlords in respect of disputes on purchase agreements and property lease arrangements. The total amount claimed is RMB382 million (31 December 2019: RMB470 million). As at 31 March 2021, the legal actions were ongoing, with most of the actions not yet set for trial dates. Provision of RMB45 million (31 December 2019: RMB155 million) has been made within trade and other payables as at 31 March 2021, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
Short-term employee benefits	**90**	72
Post-employment benefits	**–**	–
Share-based payments	**–**	–
	90	72

Total remuneration is included in "staff costs" (see note 4(b)).

(b) Identity of related parties

During the fifteen months ended 31 March 2021 and the year ended 31 December 2019, the directors are of the view that the following entities are related parties of the Group:

Name of party	**Relationship**
Alibaba Group, its subsidiaries and associates	Ultimate holding company, its subsidiaries and associates
Auchan Holding and its subsidiaries *(Note)*	Former ultimate holding company and its subsidiaries
Hwabao Trust Co., Ltd.	Trustee of RT-Mart and Auchan Scheme trusts

Note : Auchan Holding and its subsidiaries ceased to be related parties of the Group since 19 October 2020 upon the change of equity shareholders of the Group.

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions

In addition to the related party information disclosed elsewhere in the notes to the financial statements, the Group entered into the following material related party transactions during the period/year.

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
Agency fees receivable *(i)*	**24**	39
Other fees receivable *(ii)*	**529**	163
Trademark fee payable *(iii)*	**18**	23
Other expenses payable for business cooperation *(iv)*	**1,884**	1,010
Purchase of goods *(v)*	**341**	187
Sales of goods *(vi)*	**3,247**	323
Commission income *(vii)*	**196**	15
Technical service fee payable	**17**	5
Purchase of fixed assets *(viii)*	**6**	41
Logistic service fee payable	**21**	–
Factoring service fee receivable	**2**	–

The above related party transactions in respect of (i) agency fees receivable, (ii) other fees receivable, (iii) trademark fee payable, (iv) business cooperation payable, (v) purchase of merchandise from Alibaba Group and its subsidiaries, (vi) sales of goods to Alibaba Group and its subsidiaries, (vii) commission income, (viii) purchase of fixed assets, technical service fee payable and logistic service fee payable above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the section "Connected Transactions" in the Report of Directors. The trademark fees payable (iii) and factoring service fee receivable are continuing connected transactions but are exempted from these disclosure requirements as they are below the de minimis threshold under Rule 14A.76(1).

	Fifteen months ended 31 March 2021 *RMB million*	Year ended 31 December 2019 *RMB million*
Other related party transactions		
Purchase of fixed assets *(viii)*	**–**	1
IT services fee payable *(ix)*	**–**	1
Expenses payable *(x)*	**2**	35
Contributions to Employee Trust Benefit Schemes *(note 4(b))*	**479**	372

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions (continued)

(i) Agency fees receivable relates to amounts accrued from international suppliers by a subsidiary of Auchan Holding, net of fees payable to the subsidiary of Auchan Holding.

(ii) Other fees receivable represents fees receivable from subsidiaries of Alibaba Group.

(iii) Trademark fees payable represents the fees charged by a subsidiary of Auchan Holding for the grant of licenses to the Group to use the Auchan trademarks and domain names.

(iv) Other expenses payable represents expenses payable to Alibaba Group and its subsidiaries in respect of the services provided under the respective business cooperation agreements.

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

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

(vii) Commission income represents the income from a subsidiary of Alibaba Group for consignment sales.

(viii) Purchase of fixed assets represents purchase of equipment from a subsidiary of Alibaba Group.

(ix) IT services fee payable represents the fees charged by subsidiaries of Auchan Holding for IT support and services provided.

(x) Expenses payable primarily relate to personnel and administrative costs paid by Auchan Holding and its subsidiaries on behalf of the Group, which are reimbursed and expensed by the Group.

(d) Related party balances

	As at 31 March 2021 ***RMB million***	As at 31 December 2019 *RMB million*
Amounts due from Auchan Holding and its subsidiaries	**–**	30
Amounts due from Alibaba Group and its subsidiaries	**829**	301
Amounts due from the joint venture	**–**	2
Amounts due from Hwabao Trust Co., Ltd.	**65**	–
Amounts due to Auchan Holding and its subsidiaries	**–**	97
Amounts due to Alibaba Group and its subsidiaries	**311**	120

25 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	As at 31 March 2021 *RMB million*	As at 31 December 2019 *RMB million*
Non-current assets		
Investments in subsidiaries	**16,442**	16,437
Trade and other receivables	**6,321**	6,293
Investment in a joint venture	**–**	2
	22,763	22,732
Current assets		
Trade and other receivables	**1,141**	1,500
Cash and cash equivalents	**223**	134
	1,364	1,634
Current liabilities		
Trade and other payables	**66**	55
Net assets	**24,061**	24,311
Capital and reserves		
Share capital	**10,020**	10,020
Reserves	**14,041**	14,291
Total equity	**24,061**	24,311

Approved and authorised for issue by the board of directors on 10 May 2021.

LIN Xiaohai,
Executive Director
and
Chief Executive Officer

HUANG Ming-Tuan
Non-Executive Director
and
Chairman

26 COMPARATIVE FIGURES

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. The comparative financial period covers the previously reported twelve-month period from 1 January 2019 to 31 December 2019.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 March 2021, the immediate parent of the Group is A-RT Retail Holdings Limited, which is incorporated in Hong Kong. The ultimate controlling party of the Group is Alibaba Group Holding Limited, which is incorporated in the Cayman Islands which produces financial statements available for public use.

28 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Provision for inventories

The Group reviews the carrying amounts of the inventories at each reporting period end date to determine whether the inventories are carried at the lower of cost and net realisable value. Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's net asset value.

(b) Income tax

Determining income tax provisions and the recognition of certain deferred tax assets involves judgement regarding the future tax treatment of certain transactions and the recoverability. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

28 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(c) Impairment of other assets (mainly investment properties and other property, plant and equipment including right-of-use assets, intangible assets and goodwill)

As stated in note 1(m)(ii), an impairment loss is recognised in profit and loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. At the end of each reporting period, the Group reviews the recoverable amount of investment properties and other property, plant and equipment, intangible assets and goodwill which involves judgement on the determination of their fair value less costs of disposal and value in use. The fair value less costs of disposal is determined based on market comparison approach by reference to recent market rents of comparable assets and the value in use is determined by discounting projected cash flow series associated with the assets using risk-adjusted discount rates. Any change in the assumptions underlying these projections and fair values: would increase or decrease the recoverable amount of fixed assets, intangible assets and goodwill.

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

As stated in note 1 (w)(iii), other income arising from recognition of unutilised balances on aged prepaid cards is recognised according to the "remote recognition" method. Under this policy, the unutilised balance on the card will be recognised as other income once it is possible to determine with a sufficiently high degree of probability that the likelihood of future utilisation is remote.

Estimating amounts which are unlikely to be utilised in the future involves the exercise of significant judgement in determining the length of time that needs to elapse before the risk of future utilisation for each group of aged prepaid cards can be considered remote. Any change in these judgements would increase or decrease the amount of other income recognised and affect the Group's net asset value.

(e) Determining the lease term

As explained in note1(j) the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options or early termination options exercisable by the Group, the Group exercises judgement to evaluate the likelihood of exercising the renewal options or early termination options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken, penalties for early termination and the importance of that underlying asset to the Group's operation. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years. The Group also exercises judgement to determine whether there is a significant event or significant change in circumstance that is within the Group's control that would require the lease term to be reassessed.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the fifteen months ended 31 March 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

30 INTEREST IN SUBSIDIARIES

The principal activity of the Company is investment holding.

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

Held directly by the Company:

Name of companies	*Note*	**Effective interest of ownership attributable to the Group**		**Principal activities**	**Registered capital/issued and fully paid up capital**	
		As at 31 March 2021	As at 31 December 2019			*(million)*
CCIL	*(ii)*	**100%**	100%	Investment holding	USD	112
ACHK	*(ii)*	**100%**	100%	Investment holding	USD	216
Shanghai Art Management and Service Co., Ltd.		**100%**	100%	Consulting Service	USD	0.1
Feiniu E-Commerce Hong Kong Limited	*(ii)*	**100%**	100%	E-commerce	RMB	1,122
Fields Hong Kong Limited	*(ii)*	**90.02%**	90.02%	E-commerce	HKD	125

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		As at 31 March 2021	As at 31 December 2019			*(million)*
RT-MART Holdings Limited	*(ii)*	**100%**	100%	Investment holding	USD	112
Concord Investment (China) Co., Ltd.	*(v)*	**92.69%**	92.83%	Investment holding and procurement center	USD	248
Beihai RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	3
Changshu RT-MART Hypermarket Co., Ltd.		**92.69%**	92.83%	Retailing	USD	7
Changzhou Guanhe RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Changzhou Changhong RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Dafeng Ruentex Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	16
Foshan Shunde RT-Mart Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	7
Fuyang RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Guangdong Ruenhua Commercial Co., Ltd.		**92.69%**	92.83%	Procurement center	USD	20/0.8
Guangzhou Concord Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Guangzhou Ruenping Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Guangzhou Tianmei Ruenfu Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	3
Haikou Guoxing RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL (continued):

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		As at 31 March 2021	As at 31 December 2019			*(million)*
Hainan Longkun RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Hainan RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Hangzhou Xiaoshan Ruenhua RT-MART Hypermarket Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Hefei Feicui RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Ji'nan Lixia RT-MART Commercial and Trading Co., Ltd.		**92.69%**	92.83%	Procurement center	USD	0.5
People's RT-MART Limited Jinan	*(iii)*	**88.73%**	88.86%	Retailing	USD	21
Jiaxing Xiuzhou Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	RMB	15
Jianhu RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	10
Jinan Shizhong RT-MART Commercial Co. Ltd.		**92.69%**	92.83%	Retailing	RMB	5
Jinan Tianqiao RT-MART Commercial Co. Ltd.		**92.69%**	92.83%	Retailing	RMB	5
Jiangsu Bairuen Logistics Co., Ltd.	*(iv)*	**92.69%**	92.83%	Retailing	RMB	1
Kunshan Qiandeng Ruenping Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	17
Kunshan Ruenhua Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	RMB	165
Liyang RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Lianyungang Ruenliang Commercial and Trading Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Liuzhou Ruenping Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Nanjing Zhongshang Jinruenfa Longjiang Hypermarket Co., Ltd.	*(iv)*	**92.69%**	92.83%	Retailing	RMB	5

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL (continued):

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		As at 31 March 2021	As at 31 December 2019			*(million)*
Nantong Tongruenfa Hypermarket Co., Ltd.	*(iv)*	**92.69%**	92.83%	Retailing	RMB	5
Nantong Tongzhou Ruentex Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	7
Pinghu RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	12
Wuhu RT-MART Commercial and Trading Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Qingdao Ruentex Enterprises Co., Ltd.		**92.69%**	92.83%	Retailing	RMB	200
Rugao RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Xiamen Ruenrui Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
RT-MART Limited Shanghai	*(iii)*	**92.69%**	92.83%	Retailing	USD	30
Shanghai Fengxian RT-MART Commercial and Trading Co., Ltd.		**92.69%**	92.83%	Retailing	USD	3
Shanghai Jiading Anting RT-MART Commercial and Trading Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Shanghai Sanlin RT-MART Commercial and Trading Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Shanghai Sijing RT-MART Commercial and Trading Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Shaoguan RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Shenyang RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	7
Shenzhen RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by CCIL (continued):

Name of companies	*Note*	Effective interest of ownership attributable to the Group: As at 31 March 2021	Effective interest of ownership attributable to the Group: As at 31 December 2019	Principal activities	Registered capital/issued and fully paid up capital (*million*)	
Shuyang Ruentex Commercial Co., Ltd.	*(iv)*	**92.69%**	92.83%	Retailing	RMB	15
Suqian Ruenliang Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	RMB	2
Suzhou Xuguan Ruenhua Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Suzhou Ruende Commercial Co., Ltd.	*(iv)*	**92.69%**	92.83%	Retailing	RMB	3
Suzhou Ruenrui Commercial Co., Ltd.	*(iv)*	**92.69%**	92.83%	Retailing	RMB	9
Taixing Ruentex Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Tongliao Ruentex Commercial and Trading Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Tonglu RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	6
Wuxi Tianruenfa Hypermarket Co., Ltd.	*(iv)*	**92.69%**	92.83%	Retailing	RMB	10
Wujiang Ruenliang Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Wujiang Ruentex Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Wuhan RT-MART Jianghan Hypermarket Development Co., Ltd.		**92.69%**	92.83%	Retailing and procurement center	USD	8
Xuzhou Ruenping Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	4
Yangzhou Ruenliang Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Yongkang Ruentex Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	7
Zhaoqing RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Zhenjiang RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2
Zibo RT-MART Commercial Co., Ltd.		**92.69%**	92.83%	Retailing	USD	2

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Held directly or indirectly by ACHK:

Name of companies	*Note*	Effective interest of ownership attributable to the Group		Principal activities	Registered capital/issued and fully paid up capital	
		As at 31 March 2021	As at 31 December 2019			*(million)*
Auchan (China) Investment Co., Ltd.	*(v)*	**99.84%**	99.78%	Consulting service, investment and wholesale	USD	367/353
Suzhou Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	RMB	220
Shanghai Auchan Hypermarkets Co., Ltd.	*(iii)*	**99.84%**	99.78%	Retailing	USD	18
Wuxi Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	10/8
Nantong Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	14
Shanghai New Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	RMB	128
Chengdu Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	RMB	110
Beijing Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	RMB	146
Anhui Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	12
Nanjing Xinshang Hypermarket Co., Ltd.		**99.84%**	99.78%	Retailing	RMB	116
Taizhou Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	10
Hangzhou Auchan Hypermarkets Co., Ltd.	*(iii)*	**99.84%**	99.78%	Retailing	USD	23
Jiaxing Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	6
Zhenjiang Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	12
Huzhou Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	10
Ningbo Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	RMB	72
Changzhou Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	RMB	122
Dongguan Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	7.5
Meizhou Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	7
Suzhou New Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	RMB	2
Nantong New Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	10
Yangzhou Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	8
Bengbu Auchan Hypermarkets Co., Ltd.		**99.84%**	99.78%	Retailing	USD	5/1

30 INTEREST IN SUBSIDIARIES (CONTINUED)

Note:

(i) The above list contains only the particulars of the subsidiaries which materially affect the results or financial position of the Group.

(ii) RT-Mart Holdings Limited, ACHK, Feiniu Hong Kong and Fields Hong Kong are incorporated in Hong Kong. CCIL is incorporated in the Cayman Islands. All other subsidiaries are established and operated in the PRC.

(iii) These subsidiaries are co-operative joint ventures. With the exception of People's RT-MART Limited Jinan, the joint venture partners are only entitled to fixed returns and do not otherwise participate in the profit or loss of these subsidiaries pursuant to the joint venture agreements.

(iv) These subsidiaries are domestic enterprises.

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

Except for (iii), (iv) and (v), all other subsidiaries of the Group which are established in the PRC are wholly foreign owned enterprises.

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

31 SUBSEQUENT EVENTS

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 20(b).

FIVE YEAR SUMMARY

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

	Fifteen months ended 31 March	Year ended 31 December			
	2021	2019	2018	2017	2016
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue	**124,334**	95,357	99,359	102,320	100,441
Gross profit	**31,087**	25,731	25,119	24,674	23,981
Profit from Operations	**5,757**	4,890	4,698	5,003	4,413
Profit for the Year	**3,771**	3,045	2,700	2,934	2,500
Profit attributable to:					
Equity shareholders of the Company	**3,572**	2,834	2,478	2,713	2,451
Non-Controlling Interests	**199**	211	222	221	49

	As at 31 March	As at 31 December			
	2021	2019	2018	2017	2016
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total assets	**69,227**	71,186	69,875	68,732	67,396
Total liabilities	**41,373**	45,828	46,226	46,517	45,836
Equity attributable to:					
Equity shareholders of the Company	**26,223**	23,925	22,287	21,047	20,595
Non-Controlling Interests	**1,631**	1,433	1,362	1,168	965

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs.

The above summary does not form a part of the consolidated financial statements.

SUN ART
Retail Group Ltd.

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