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# SUN ART

## Retail Group Limited

### SUN ART RETAIL GROUP LIMITED

### 高鑫零售有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 06808)

### FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

#### HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 March 2022	For the fifteen months ended 31 March 2021	Change
	<i>RMB million</i>		
Revenue <sup>(1)</sup>	88,134	124,612	(29.3)%
Gross Profit	21,473	31,365	(31.5)%
Operating Profit	18	5,757	(99.7)%
(Loss)/Profit for the Year/Period	(826)	3,771	(121.9)%
(Loss)/Profit Attributable to Owners of the Company	(739)	3,572	(120.7)%
(Loss)/Earnings Per Share – Basic and diluted <sup>(2)</sup>	RMB(0.08)	RMB0.37	

For comparison purpose, major indicators of the financial results for the year ended 31 March 2022 and 31 March 2021 are summarised in the management discussion and analysis section.

	As at 31 March		Change
	2022	2021	
	<i>RMB million</i>		
Total Assets	65,746	69,227	(5.0)%
Total Liabilities	40,680	41,373	(1.7)%
Net Assets	25,066	27,854	(10.0)%
Net Cash Position <sup>(3)</sup>	18,659	20,116	(7.2)%

*Notes:*

- (1) Revenue consists of gross proceeds from product sales including consignment sales, income from the release of aged unutilised balances on prepaid card and rental income, excluding value-added tax. The comparative figure for the fifteen months ended 31 March 2021 has been reclassified to conform to the current year presentation.
- (2) The calculation of basic and diluted (loss)/earnings per share for the year ended 31 March 2022 and for the fifteen months ended 31 March 2021 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year/period.
- (3) The balance of net cash position is calculated as the sum of cash and cash equivalents, financial assets measured at fair value through profit or loss and time deposits minus bank loans.

The board (the “**Board**”) of directors (the “**Directors**”) of Sun Art Retail Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2022, together with the comparative figures for the fifteen months ended 31 March 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2022*

	<i>Notes</i>	<b>For the year ended 31 March 2022 RMB million</b>	<b>For the fifteen months ended 31 March 2021 RMB million</b>
<b>Revenue</b>	4	<b>88,134</b>	124,612
Cost		<u>(66,661)</u>	<u>(93,247)</u>
<b>Gross profit</b>		<b>21,473</b>	31,365
Selling and marketing expenses		(20,353)	(24,204)
Administrative expenses		(2,551)	(3,175)
Other income and other gains, net	5	<u>1,449</u>	<u>1,771</u>
<b>Operating profit</b>		<b>18</b>	5,757
Finance costs	7	(520)	(680)
Share of net loss of associates and joint ventures accounted for using the equity method		<u>(1)</u>	<u>(3)</u>
<b>(Loss)/profit before income tax</b>		<b>(503)</b>	5,074
Income tax expense	8	<u>(323)</u>	<u>(1,303)</u>
<b>(Loss)/profit for the year/period</b>		<b>(826)</b>	3,771
<b>Other comprehensive income for the year/period</b>		<u>–</u>	<u>–</u>
<b>Total comprehensive (loss)/income for the year/period</b>		<u><b>(826)</b></u>	<u>3,771</u>
<b>(Loss)/profit is attributable to:</b>			
Owners of the Company		(739)	3,572
Non-controlling interests		<u>(87)</u>	<u>199</u>
<b>(Loss)/profit for the year/period</b>		<u><b>(826)</b></u>	<u>3,771</u>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(739)	3,572
Non-controlling interests		<u>(87)</u>	<u>199</u>
<b>Total comprehensive (loss)/income for the year/period</b>		<u><b>(826)</b></u>	<u>3,771</u>
<b>(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:</b>			
Basic and diluted (loss)/earnings per share	9	<u><b>RMB(0.08)</b></u>	<u>RMB0.37</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

		As at 31 March	
		2022	2021
	Notes	RMB million	RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		5,830	6,239
Other property, plant and equipment		24,501	27,149
Intangible assets		31	29
Goodwill		140	140
Deferred tax assets		1,506	1,126
Investments accounted for using the equity method		1	2
<b>Total non-current assets</b>		<b>32,009</b>	<b>34,685</b>
<b>Current assets</b>			
Inventories	11	9,723	9,990
Trade and other receivables	12	4,102	3,267
Time deposits		700	18
Financial assets at fair value through profit or loss ("Financial assets at FVPL")	13(a)	6,665	12,002
Restricted deposits	13(b)	1,253	1,169
Cash and cash equivalents	14	11,294	8,096
<b>Total current assets</b>		<b>33,737</b>	<b>34,542</b>
<b>Total assets</b>		<b>65,746</b>	<b>69,227</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	15	49	50
Lease liabilities	16	6,108	6,882
Deferred tax liabilities		430	325
<b>Total non-current liabilities</b>		<b>6,587</b>	<b>7,257</b>
<b>Current liabilities</b>			
Trade and other payables	15	20,211	20,644
Lease liabilities	16	1,271	1,169
Contract liabilities	17	12,347	11,984
Current tax liabilities		264	319
<b>Total current liabilities</b>		<b>34,093</b>	<b>34,116</b>
<b>Total liabilities</b>		<b>40,680</b>	<b>41,373</b>
<b>Net assets</b>		<b>25,066</b>	<b>27,854</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2022

	As at 31 March	
	2022	2021
Notes	RMB million	RMB million
<b>EQUITY</b>		
Share capital	10,020	10,020
Reserves	<u>13,938</u>	<u>16,203</u>
<b>Capital and reserves attributable to the owners of the Company</b>	<u>23,958</u>	<u>26,223</u>
Non-controlling interests	<u>1,108</u>	<u>1,631</u>
<b>Total equity</b>	<u><u>25,066</u></u>	<u><u>27,854</u></u>

## NOTES:

*(Expressed in Renminbi (“RMB”) unless otherwise stated)*

### 1. GENERAL INFORMATION

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

As at 31 March 2022, the immediate parent of the Group is A-RT Retail Holdings Limited, which is incorporated in Hong Kong. The ultimate controlling party of the Group is Alibaba Group Holding Limited (“**Alibaba**”), a company incorporated in the Cayman Islands and its American depositary shares and ordinary shares are listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited, respectively.

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, the ultimate holding company, and to facilitate the synergy across all functions within the Alibaba and its subsidiaries, associates, and joint ventures (“**Alibaba Group**”). Accordingly, the comparative financial period covers a fifteen-month period from 1 January 2020 to 31 March 2021. The current financial year covers the twelve-month period from 1 April 2021 to 31 March 2022.

The Group’s consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the requirements of Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on Stock Exchange.

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

The financial information relating to the year ended 31 March 2022 and fifteen months ended 31 March 2021 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the fifteen months ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2022 in due course.

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

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2022 comprise the Group and the Group's interest in associates and joint ventures.

These consolidated financial statements are presented in Renminbi (“RMB”) rounded to the nearest million, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVPL which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

## 3. CHANGE IN ACCOUNTING POLICIES

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 April 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16.

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

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.

## 4. SEGMENT AND REVENUE INFORMATION

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 hypermarket buildings. Disaggregation of revenue from contracts with customers by major products or services is as follows:

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
Revenue from contracts with customers – sales of goods	<b>84,595</b>	120,117
Revenue from other sources – rental income from tenants	<b>3,539</b>	4,495
<b>Total revenue</b>	<b>88,134</b>	124,612

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

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

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

## 5. OTHER INCOME AND OTHER GAINS, NET

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
Miscellaneous income	571	525
Interest income on financial assets measured at amortised cost	375	393
Government grants	223	418
Gain on financial assets measured at FVPL	220	265
Disposal of packaging material	157	176
Net loss on disposal and reassessment of investment properties and other property, plant and equipment	(97)	(6)
	<u>1,449</u>	<u>1,771</u>

## 6. EMPLOYEE BENEFITS AND OTHER ITEMS OF COST OF SALES AND EXPENSES

### (a) Employee benefit expense

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
Salaries, wages and other benefits	9,318	11,851
Contributions to defined contribution retirement plans (i)	1,054	687
Contributions to Employee Trust Benefit Schemes (ii)	11	479
	<u>10,383</u>	<u>13,017</u>

### (i) Contributions to defined contribution retirement plans

The Group participates in pension schemes organised by the PRC government whereby the Group is required to pay annual contributions based on the statutory percentage of the average salary level in the cities where the Group's employees are employed. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

**(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 undertake gains and losses to itself. The trusts 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.

**(b) Other items**

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
Cost of sales	<b>66,572</b>	93,163
Depreciation cost of investment properties and other property, plant and equipment	<b>3,862</b>	5,070
Impairment losses	<b>1,448</b>	354
Operating lease charges	<b>1,068</b>	1,667
Loss allowance related to trade receivables and other debtors	<b>332</b>	102
Amortisation cost of intangible assets	<b>10</b>	19
Auditors’ remuneration		
– audit services	<b>17</b>	24
– non-audit services	<b>1</b>	1
Donations	<b>1</b>	6

**7. FINANCE COSTS**

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
Interest expenses on lease liabilities	<b>510</b>	668
Interest expenses on other financial liabilities	<b>10</b>	12
	<b>520</b>	680

## 8. INCOME TAX EXPENSE

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

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
<b>Current tax-Hong Kong profit tax</b>		
Current tax on profits for the year/period (i)	5	4
Adjustments for current tax of prior period/year*	—	—
	<hr/>	<hr/>
<b>Current tax-PRC income tax</b>		
Current tax on profits for the year/period (ii)	546	1,286
Adjustments for current tax of prior period/year	47	17
	<hr/>	<hr/>
<b>Total current tax expense</b>	<b>598</b>	<b>1,307</b>
	<hr/>	<hr/>
<b>Deferred income tax</b>		
Increase in deferred tax assets	(380)	(74)
Increase in deferred tax liabilities	105	70
	<hr/>	<hr/>
<b>Total deferred tax benefit</b>	<b>(275)</b>	<b>(4)</b>
	<hr/>	<hr/>
<b>Income tax expense</b>	<b>323</b>	<b>1,303</b>
	<hr/> <hr/>	<hr/> <hr/>

\* The amount is less than a million.

- (i) Entities incorporated in Hong Kong are subject to Hong Kong profits tax under the two-tiered profits tax regime, which the tax rate is 8.25% for assessable profits in the first HK\$2 million and 16.5% for any assessable profits in excess. However, for two or more connected entities, only one of them may elect the two-tiered profits tax rates.
- (ii) PRC subsidiaries are subject to income tax at 25% for the year ended 31 March 2022 (fifteen months ended 31 March 2021: 25%) under the Enterprise Income Tax law (“EIT law”).

Pursuant to the related regulations in respect of the Notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2011] No.58) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, 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. Pursuant to the Announcement on the Catalogue of Encouraged Industries in the West Region (Announcement [2021] No.10), there is no PRC subsidiary of the Group entitled to a preferential income tax rate of 15% for the year ended 31 March 2022.

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) and Announcement on Implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Businesses (Cai Shui [2021] No.12) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, qualified Small and Micro Enterprises meeting the criteria of employee number less than 300, total assets less than RMB50 million and annual taxable income less than RMB3 million are entitled to preferential tax treatment. More specifically, for the portion of annual taxable income which does not exceed RMB1 million, income tax shall be calculated at

12.5% of the annual taxable income using the tax rate of 20%; for the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), income tax shall be calculated at 50% of the annual taxable income using the tax rate of 20%. Approximately 31% of PRC subsidiaries of the Group enjoyed this preferential income tax treatment during the year ended 31 March 2022.

- (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. As at 31 March 2022, Hong Kong tax resident certificate for the three years ended 31 December 2021 has been expired and the withholding tax was recognised by using the tax rate of 10% (31 March 2021: 5%).

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.

During the year ended 31 March 2022, deferred tax expenses and a corresponding deferred tax liability of RMB50 million have been recognised in respect of the withholding tax payable on the retained profits of the Group’s PRC subsidiaries generated subsequent to 1 January 2008 which the directors expect to distribute outside the Mainland China in the foreseeable future. During the fifteen months ended 31 March 2021, income tax expenses and a corresponding income tax payable included in accruals and other payables of RMB57 million was recognised in respect of the withholding tax payable as the Group’s PRC subsidiaries had declared dividend to distribute outside the Mainland China by 31 March 2021.

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

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
(Loss)/profit before income tax expense	<u>(503)</u>	<u>5,074</u>
Notional tax on (loss)/profit before taxation, calculated at PRC income tax rate of 25%	(126)	1,269
Non-deductible expenses, less non-assessable income	(11)	13
PRC dividend withholding tax	50	57
Current year losses for which no deferred tax asset was recognised	486	232
Temporary differences for which no deferred tax asset was recognised	28	30
Utilisation of previously unrecognised tax losses	(69)	(133)
Utilisation of previously unrecognised temporary differences	–	(56)
Recognition of previously unrecognised tax losses	(85)	(132)
Recognition of previously unrecognised temporary differences	(57)	(6)
Reversal of previously recognised deferred tax assets	96	28
Statutory tax concession	(38)	(16)
Under-provision in respect of prior years	47	17
Other	<u>2</u>	<u>–</u>
<b>Actual tax expenses</b>	<b><u>323</u></b>	<b><u>1,303</u></b>

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of RMB739 million (fifteen months ended 31 March 2021: profit attributable to owners of the Company of RMB3,572 million) and the weighted average of 9,539,704,700 ordinary shares in issue during the year ended 31 March 2022 (fifteen months ended 31 March 2021: 9,539,704,700 ordinary shares).

There were no dilutive potential ordinary shares during the year ended 31 March 2022 and the fifteen months ended 31 March 2021 and therefore diluted (loss)/earnings per share is equivalent to basic (loss)/earnings per share.

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
(Loss)/profit attributable to owners of the Company	(739)	3,572
Weighted average number of ordinary shares in issue	<u>9,539,704,700</u>	<u>9,539,704,700</u>
Basic (loss)/earnings per share (expressed in RMB per share)	<u>(0.08)</u>	<u>0.37</u>

## 10. DIVIDENDS

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

	<b>As at 31 March 2022 RMB million</b>	2021 RMB million
Final dividend proposed after the end of year of HKD0.045 (equivalent to RMB0.038) per ordinary share (Fifteen months ended 31 March 2021: HKD0.13 (equivalent to RMB0.11) per ordinary share)	<u>364</u>	<u>1,032</u>

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

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

	<b>For the year ended 31 March 2022 RMB million</b>	For the fifteen months ended 31 March 2021 RMB million
Dividends paid to Company's shareholders	<u>1,031</u>	<u>1,310</u>

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

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.

## 11. INVENTORIES

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

	As at 31 March	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Trading merchandise	<u>9,723</u>	<u>9,990</u>

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

	For the	For the fifteen
	year ended	months ended
	31 March	31 March
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Carrying amount of inventories sold	66,562	93,100
Write down of inventories	<u>10</u>	<u>63</u>
	<u>66,572</u>	<u>93,163</u>

All inventories are expected to be sold within one year.

## 12. TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
<b>Trade receivables</b>		
Amounts due from related parties	1,723	894
Amounts due from third parties	437	474
Less: provision for impairment	<u>(262)</u>	<u>–</u>
Subtotal	<u>1,898</u>	<u>1,368</u>
<b>Other receivables</b>		
Prepayments of rentals	883	520
Value-added tax receivables	599	615
Other debtors	811	794
Less: provision for impairment	<u>(89)</u>	<u>(30)</u>
Subtotal	<u>2,204</u>	<u>1,899</u>
Total trade and other receivables	<u>4,102</u>	<u>3,267</u>

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. All of the Group's trade receivables were denominated in RMB.

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

All of the trade and other receivables classified as current assets are expected to be recovered within one year.

### 13. FINANCIAL ASSETS AT FVPL AND RESTRICTED DEPOSITS

#### (a) Financial assets at FVPL

	As at 31 March	
	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Structured deposits	<b>6,665</b>	12,002
<i>Amounts recognised in profit or loss</i>		
	For the year ended 31 March 2022 <i>RMB million</i>	For the fifteen months ended 31 March 2021 <i>RMB million</i>
At the beginning of the year/period	12,002	–
Purchase	24,749	42,415
Redemption	(30,306)	(30,678)
Realised and unrealised gains ( <i>Note 5</i> )	220	265
At the end of year/period	<b>6,665</b>	12,002

(b) **Restricted deposits**

	<b>As at 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
Restricted deposits in bank	<b>1,253</b>	<b>1,169</b>

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.

**14. CASH AND CASH EQUIVALENTS**

	<b>As at 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
Cash at bank and in hand	<b>9,950</b>	<b>7,279</b>
Deposits with banks within three months of maturity	<b>1,103</b>	<b>710</b>
Other financial assets and cash equivalents	<b>241</b>	<b>107</b>
	<b>11,294</b>	<b>8,096</b>

**15. TRADE AND OTHER PAYABLES**

	<b>As at 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
<b>Current liabilities</b>		
Trade payables	<b>12,951</b>	<b>13,250</b>
Construction costs payable	<b>1,166</b>	<b>1,259</b>
Amounts due to related parties ( <i>Note 30(d)</i> )	<b>471</b>	<b>311</b>
Dividends payable to non-controlling interests	<b>13</b>	<b>100</b>
Accruals and other payables	<b>5,610</b>	<b>5,724</b>
	<b>20,211</b>	<b>20,644</b>
<b>Non-current liabilities</b>		
Other financial liabilities	<b>49</b>	<b>50</b>

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

	<b>As at 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
Within six months	<b>11,735</b>	<b>13,025</b>
Over six months	<b>1,216</b>	<b>225</b>
	<b>12,951</b>	<b>13,250</b>

## 16. 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			
	2022		2021	
	Present value of the minimum lease payments <i>RMB million</i>	Total minimum Lease payments <i>RMB million</i>	Present value of the minimum lease payments <i>RMB million</i>	Total minimum Lease payments <i>RMB million</i>
Within 1 year	1,271	1,740	1,169	1,748
1-2 years	1,079	1,554	1,111	1,587
2-5 years	2,315	2,956	2,353	3,340
Over 5 years	2,714	3,357	3,418	4,132
	6,108	7,867	6,882	9,059
	7,379	9,607	8,051	10,807
Less: Total future interest expenses	–	(2,228)	–	(2,756)
Present value of lease liabilities	7,379	7,379	8,051	8,051

## 17. CONTRACT LIABILITIES

	As at 31 March	
	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Prepaid cards	12,073	11,716
Advance receipts from customers for sales	246	242
Customer loyalty program points liability	28	26
	12,347	11,984

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For comparison purpose, major indicators of the financial results for the year ended 31 March 2022 and 31 March 2021 are summarised in the tables below:

	For the year ended 31 March	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Unaudited)
<b>Revenue</b>	<b>88,134</b>	93,086
– Revenue from sales of goods	<b>84,595</b>	89,458
– Rental income from tenants	<b>3,539</b>	3,628
Cost	<u><b>(66,661)</b></u>	<u>(68,960)</u>
<b>Gross profit</b>	<b>21,473</b>	24,126
Selling and marketing expenses	<b>(20,353)</b>	(19,368)
Administrative expenses	<b>(2,551)</b>	(2,515)
Other income and other gains, net	<u><b>1,449</b></u>	<u>1,361</u>
<b>Operating profit</b>	<b>18</b>	3,604
Finance costs	<b>(520)</b>	(537)
Share of net loss of associates and joint ventures accounted for using the equity method	<u><b>(1)</b></u>	<u>(4)</u>
<b>(Loss)/profit before income tax</b>	<b>(503)</b>	3,063
Income tax expense	<u><b>(323)</b></u>	<u>(769)</u>
<b>(Loss)/profit for the year</b>	<u><b>(826)</b></u>	<u>2,294</u>
<b>(Loss)/profit is attributable to:</b>		
Owners of the Company	<b>(739)</b>	2,183
Non-controlling interests	<u><b>(87)</b></u>	<u>111</u>
<b>(Loss)/profit for the year</b>	<u><b>(826)</b></u>	<u>2,294</u>

## 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 stores complexes to operators of businesses that we believe are complementary to the stores.

For the year ended 31 March 2022, revenue from sales of goods was RMB84,595 million, representing a decrease of RMB4,863 million, or 5.4%, from RMB89,458 million for the year ended 31 March 2021.

For the year ended 31 March 2022, the Same Store Sales Growth<sup>(1)</sup> (“SSSG”) calculated based on sales of goods excluding electronic appliances was -6.7%. The Group’s offline sales faced the fierce competition from all channels in the industry and experienced the challenges brought by the repeated pandemic impact in the second half of the fiscal year, while the Group’s online Business to Customer (the “B2C”) business and the sales to Alibaba Group on community group buying (the “CGB”) achieved significant progress and compensated the short-term impact of the offline sales.

During the year ended 31 March 2022, the Group continued to expand in various areas of China and opened five new hypermarkets, three Superstores and 73 mini stores. The operation of these new stores contributed to additional sales for the year ended 31 March 2022.

For the year ended 31 March 2022, revenue from rental income was RMB3,539 million, representing a decrease of RMB89 million, or 2.5%, from RMB3,628 million for the year ended 31 March 2021. The decrease was mainly due to the suspended operation of certain tenants in the hypermarkets during the pandemic in March 2022. Since the pandemic started in 2020, the Group has been striving to maximize the occupancy rate in the gallery space which achieved the rather swift recovery of the Group’s rental income and closed to the horizon before pandemic.

## Gross Profit

For the year ended 31 March 2022, gross profit was RMB21,473 million, representing a decrease of RMB2,653 million, or 11.0%, from RMB24,126 million for the year ended 31 March 2021. The gross profit margin for the year ended 31 March 2022 was 24.4%, representing a decrease of 1.5 percentage point from 25.9% for the year ended 31 March 2021.

The decrease in gross profit resulted from (i) the decrease in revenue from sales of goods and rental income; (ii) growth in the proportion of online business and changes in channel mix during the year ended 31 March 2022 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 2021. It is calculated by comparing the sales derived from those stores during their operating periods in the year 31 March 2022 with sales during the corresponding year ended 31 March 2021.

## Other Income and Other Gains, net

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

The following table shows the breakdown of the other income and other gains, net for the year ended 31 March 2022 and 31 March 2021:

	For the year ended 31 March	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Unaudited)
Miscellaneous income	571	408
Interest income on financial assets measured at amortised cost	375	270
Government grants	223	291
Gain on financial assets measured at FVPL	220	265
Disposal of packaging material	157	133
Net loss on disposal and reassessment of investment properties and other property, plant and equipment	(97)	(6)
	<u>1,449</u>	<u>1,361</u>

For the year ended 31 March 2022, other income was RMB1,449 million, representing an increase of RMB88 million, or 6.5%, from RMB1,361 million for the year ended 31 March 2021.

## Selling and Marketing Expenses

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

For the year ended 31 March 2022, selling and marketing expenses were RMB20,353 million, representing an increase of RMB985 million, or 5.1%, from RMB19,368 million for the year ended 31 March 2021.

The increase was primarily attributable to (i) an increase of RMB1,094 million impairment loss accrued for the stores affected by the pandemic; (ii) the cancellation of the preferential policies for reduction and exemption on social insurance, pension scheme contribution and energy costs during the year by the government.

Without taking into account the impact of the impairment loss accrued and the cancellation of the preferential policies, selling and marketing expenses had decreased compared to the year ended 31 March 2021. The decrease was mainly due to the savings from staff costs.

The amount of selling and marketing expenses for the year ended 31 March 2022 as a percentage of total revenue was 23.1%, representing an increase of 2.3 percentage points, from 20.8% for the year ended 31 March 2021.

### **Administrative Expenses**

Administrative expenses primarily consist of personnel expenses, travelling expenses, depreciation of property, plant and equipment and other expenses for the administrative departments.

For the year ended 31 March 2022, administrative expenses were RMB2,551 million, representing an increase of RMB36 million, or 1.4%, from RMB2,515 million for the year ended 31 March 2021. The increase was mainly attributable to (i) a special loss allowance of RMB233 million was accrued for the trade receivables; (ii) the impact of the above-mentioned cancelled preferential policies in the selling and marketing expenses section. At the same time, the management's effort in cost control partially offset the increase in administrative expenses.

The amount of administrative expenses for the year ended 31 March 2022 as a percentage of total revenue was 2.9 %, representing an increase of 0.2 percentage points, from 2.7% for the year ended 31 March 2021.

### **Operating profit**

For the year ended 31 March 2022, the operating profit was RMB18 million, representing a decrease of RMB3,586 million, or 99.5%, from RMB3,604 million for the year ended 31 March 2021.

The operating margin during the year ended 31 March 2022 was close to breakeven, a decrease of 3.9 percentage points, from 3.9% for the year ended 31 March 2021.

Without taking into account the impact of provision accrued totaling approximately RMB1,875 million, which was mainly related to the impairment loss, provision for litigations and loss allowance for trade receivables, the operating profit was RMB1,893 million for the year ended 31 March 2022 and the operating margin was 2.1%.

### **Finance Costs**

Finance costs primarily consist of the interest expenses on other financial liabilities and lease liabilities. For the year ended 31 March 2022, the finance costs were RMB520 million, representing a decrease of RMB17 million, or 3.2%, from RMB537 million for the year ended 31 March 2021. The decrease was related to the reduced balance of lease liabilities.

## **Income Tax Expense**

For the year ended 31 March 2022, income tax expense was RMB323 million, representing a decrease of RMB446 million, or 58.0%, from RMB769 million for the year ended 31 March 2021.

Although the Group generated a loss before income tax for the year ended 31 March 2022, income tax expenses of RMB323 million still took place, which was mainly attributable to the unrecognized deferred tax on losses generated in several entities since the recoverability of those losses before their expiry was not certain.

## **(Loss)/Profit for the Year**

For the year ended 31 March 2022, loss for the year was RMB826 million, representing a decrease of RMB3,120 million, or 136.0%, from a profit of RMB2,294 million for the year ended 31 March 2021.

The net loss margin for the year ended 31 March 2022 was 0.9%, decreasing by 3.4 percentage point, from a net profit margin of 2.5% for the year ended 31 March 2021. The decrease was primarily attributable to the decrease in operating margin.

The post-tax impact of the provision mentioned above in the operating profit section was RMB1,406 million. Without taking into account the impact of it, the Group generated a profit for the year of RMB580 million and the net profit margin was 0.7% for the year ended 31 March 2022.

## **(Loss)/Profit Attributable to Owners of the Company**

For the year ended 31 March 2022, the loss attributable to owners of the Company was RMB739 million, representing a decrease of RMB2,922 million, or 133.9 %, from a profit of RMB2,183 million for the year ended 31 March 2021.

## **(Loss)/Profit Attributable to Non-Controlling Interests**

For the year ended 31 March 2022, the loss attributable to non-controlling interests was RMB87 million, representing a decrease of RMB198 million, or 178.4%, from a profit of RMB111 million for the year ended 31 March 2021.

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**”); and (iii) the interest held by Hema (China) Co., Ltd. in Shanghai Run He Internet Technology Co., Ltd.

## **Liquidity and Financial Resources**

For the year ended 31 March 2022, net cash inflow from operating activities was RMB3,577 million.

As at 31 March 2022, the net current liabilities were RMB356 million compared with the net current assets of RMB426 million as at 31 March 2021. This net current liabilities were primarily attributed to the decrease in the current assets of RMB805 million, which was mainly from the payment for acquisition of non-controlling interests in CIC for RT-mart Scheme.

For the year ended 31 March 2022, the inventory turnover days and trade payable turnover days, calculated on average balances of inventories and trade payables, together with the cost of inventories during the year, were 53 days and 71 days, respectively, compared to 55 days and 74 days for the year ended 31 March 2021.

## **Investing Activities**

For the year ended 31 March 2022, net cash inflow from investing activities was RMB3,301 million.

The net cash inflow from investing activities mainly reflected in (i) the capital expenditure of RMB1,991 million paid in respect of the development of new stores and the remodelling and digitalization of existing stores; (ii) the net proceeds generated from investment in financial instruments measured at FVPL of RMB5,557 million; and (iii) the net proceeds used in investment in time deposits with maturity over three months of RMB682 million.

An independent professional valuer had been engaged to measure the fair value of the buildings owned by the Group, the associated leasehold land use rights and the right-of-use assets related to the lease properties. As at 31 March 2022, the total fair value of such properties was RMB53,521 million, among which, the fair value of the investment properties was RMB21,460 million.

## **Financing Activities**

For the year ended 31 March 2022, net cash outflow from financing activities was RMB3,680 million.

## **BUSINESS REVIEW**

### **Operating Environment**

In 2021, China's gross domestic product ("GDP") exceeded RMB110 trillion, reaching RMB114,367 billion. In terms of quarters, the year-on-year growth rate was 7.9% in the second quarter, 4.9% in the third quarter and 4.0% in the fourth quarter. The growth rate slowed down quarter by quarter. The year-on-year growth rate reached 8.1% and the average growth rate in the past two years was 5.1%. In the first quarter of 2022, GDP grew by 4.8% year-on-year to about RMB27,017.8 billion.

In 2021, the overall consumer price index (“CPI”) increased by 0.9% compared to last year, of which the food CPI decreased by 1.4%. The pork CPI decreased by 30.3%, resulting in a decrease of meat CPI by 17.2%, of which beef CPI increased by 3.0% and lamb CPI increased by 5.3%. The non-food CPI was up by 1.4%. In the first quarter of 2022, CPI increased by 1.1% year-on-year and food CPI decreased by 3.1%. Pork CPI decreased by 41.8%, resulting in a decrease of meat CPI by 25.5%, of which beef CPI increased by 0.2% and lamb CPI decreased by 3.5%. The non-food CPI was up by 2.1%.

In 2021, China’s total retail sales of consumer goods amounted to RMB44,082.3 billion, representing an increase of 12.5% over the past year, and the average growth rate in two years was 3.9%. The national online retail sales reached RMB13,088.4 billion, representing an increase of 14.1% over the past year. Among which online retail sales of physical goods amounted to RMB10,804.2 billion, representing a year-on-year increase of 12.0% and accounting for 24.5% of the total retail sales of consumer goods. In the first quarter of 2022, total retail sales of consumer goods amounted to RMB10,865.9 billion, representing an increase of 3.3% compared to the first quarter of 2021. Moreover, in the first quarter of 2022, the national online retail sales was RMB3,012 billion, representing a year-on-year increase of 6.6%. The online retail sales of physical goods reached RMB2,525.7 billion, representing a year-on-year increase of 8.8% and accounting for 23.2% of the total retail sales of consumer goods. In March 2022, the pandemic recurred and the spillover effect of the pandemic was obvious. In March 2022, the total retail sales of consumer goods decreased by 3.5% compared to the same period in 2021.

**Become offline experience centers, the first remodeling version 2.0 store achieved initial success.**

It took five months for the first remodeling version 2.0 store to re-open in December 2021. This store, from the perspective of customers, focuses on the needs of the getting-old group and families with kids. At the same time, it focuses on product classification and upgrading, and creating large scenes and related displays. In addition, the Group continues to optimize the tenant structure of galleries and provide more diversified services so as to create a community neighborhood center. After the remodeling, the SSSG of the store stopped decreasing and rebounded in the second half of the fiscal year, achieving a double-digit growth.

The Group plans to facilitate the maneuverable and modular remodeling to other stores at a lower cost going forward. In fiscal year 2023, the Group intends to launch the store remodeling version 2.0 in more than 50 stores.

## **Become online fulfillment centers, the online business improves steadily.**

B2C business covers several online channels and provides home-delivery services to achieve the growth of B2C orders.

During the reporting period, the average daily order per store (“**DOPS**”) of B2C business exceeded 1,250, representing a double-digit growth over the same period in fiscal year 2021. The rapid growth of self-owned APP businesses also lays a good foundation for the digital operation of customers in the future. In the second half of the fiscal year ended 31 March 2022, the Group further optimized the marketing and online operation capabilities, recording the average ticket size of more than RMB70 per order, representing an increase of 6.5% over the same period in fiscal year 2021. The profit improved significantly compared with the first half of the fiscal year 2022.

At present, more than 80% of the Group’s hypermarket have installed the conveyor-belt system, and more than 200 stores have shared quick-picking warehouses covering various online channels. In this fiscal year, the Group also successfully undertook the main supply of Alibaba’s community group buying.

By leveraging the “Big box” advantage of stores, the Group has realized and enhanced the store automation and digitalized fulfillment capabilities to support the business development covering various online channels. Over the years, the average daily order per store has always maintained a double-digit growth, and the ticket size has continued to increase, driving the Group to become the industry leader in terms of the online fulfillment capability.

## **Facilitate the multi-format and omni-channel development. Superstore model is basically practicable and the mini store continues to be improved with different patterns.**

As a low-cost extension of RT-Mart, RT-Super focuses more on core categories, product upgrading, optimization of product efficiency, and reduction of operation and investment costs.

During the reporting period, the Group had nine superstores, including six existing superstores with basically practicable model. There are three new openings in the fiscal year. The Group will also continue to identify suitable sites to employ this RT-Super model quickly for further development. The Group will continue to explore the low-cost operation and investment model of superstores, and gradually reduce losses and then achieve profitability.

The Group had 103 mini stores, with a new opening of 73 stores during the reporting period. The mini stores are mainly located in Nantong, Huai’an, Ma’anshan and surrounding cities. Through the experience gained in the past year, RT-Mini now focuses on differentiating into different patterns of stores. The complementary system of supply chain and product structure have also been further improved to support business development of RT-Mini. The gross profit of RT-Mini continues to improve and the loss of comparable stores has narrowed significantly. In fiscal year 2023, the Group expects to densify the footprints of mini stores in existing city clusters, and further develop community economy and online business of stores.

## **Strengthen fresh product supply chain capabilities to support the multi-format and omni-channel development strategy.**

In this fiscal year, the Group strengthened the infrastructure layout of warehouse network and established buyer teams, which lays a good foundation for fiscal year 2023.

In the future, the Group will accelerate the construction of diversified supply networks, such as near-fields, far-fields and wholesale markets. Combining the layout of fresh product supply chain warehouse networks in core regions nationwide and multi-temperature transport capabilities, so as to achieve systematic and digitalized infrastructure, enhance the integration of supply networks, warehouse networks and buyer organizations, and provide support for the multi-format and omni-channel development.

### **Expansion Status**

For the twelve months ended 31 March 2022, the Group opened five hypermarkets and three superstores. Among the new hypermarkets and superstores, three are located in Southern China, two are located in Central China and three are located in Northeastern China. During the reporting period, the Group closed five hypermarkets, of which two were located in Eastern China, two were located in Central China and the remaining one was located in Northern China.

As of 31 March 2022, the Group had a total of 490 hypermarkets, nine superstores, 103 mini stores. Through self construction and third-party cooperation, the Group had a total of 16 fresh product processing centers across the country. Among them, there are five in Eastern China, five in Northern China, two in Northeastern China, one in Central China and three in Southern China. The total gross floor area (“GFA”) of hypermarkets and superstores is approximately 13.64 million square meters, of which about 67.4% of the GFA was in leased properties, and 32.6% of the GFA was in self-owned properties. The GFA of mini stores is approximately 23,593 square meters, all of which was in leased properties. Please refer to note 1 below for definitions of regional zones.

As of 31 March 2022, approximately 7.2% of the Group’s hypermarkets and superstores were located in first-tier cities, 16.5% in second-tier cities, 46.9% in third-tier cities, 21.4% in fourth-tier cities and 8.0% in fifth-tier cities. Please refer to note 2 below for definitions of city tiers. Mini stores are mainly located in Jiangsu Province and Anhui Province, with 75 stores located in Jiangsu Province and 28 stores located in Anhui Province respectively.

As of 31 March 2022, through the execution of lease contracts or acquisition of land plots, the Group had identified and secured 22 sites to open hypermarkets, of which 17 are under construction. At the same time, there were 19 superstores with which the Group has signed contracts.

Region	Number of Brick-and-Mortar Stores (As of 31 March 2022)					Total GFA of Brick-and-Mortar Stores (sq.m.) (As of 31 March 2022)				
	Hypermarket	Superstore	Mini Store	Total	Percentage	Hypermarket	Superstore	Mini Store	Total	Percentage
Eastern China	185	4	75	264	44%	5,437,220	51,895	16,657	5,505,772	40%
Northern China	51	1	0	52	9%	1,327,103	10,283	0	1,337,386	10%
Northeastern China	54	2	0	56	10%	1,700,658	15,810	0	1,716,468	13%
Southern China	98	1	0	99	16%	2,428,494	13,547	0	2,442,041	18%
Central China	76	1	28	105	17%	1,958,931	6,425	6,936	1,972,292	14%
Western China	26	0	0	26	4%	691,724	0	0	691,724	5%
<b>Total</b>	<b>490</b>	<b>9</b>	<b>103</b>	<b>602</b>	<b>100%</b>	<b>13,544,130</b>	<b>97,960</b>	<b>23,593</b>	<b>13,665,683</b>	<b>100%</b>

*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 2022, the Group had 122,010 employees.

## **Outlook**

The fiscal year 2022 is a year full of challenges. The pandemic accelerated the transformation of the industry. Facing the uncertainties of the external environment, Sun Art Retail adheres to the multi-format and omni-channel development strategy, and maintains a healthy and abundant cash flow so as to make adequate capital reserves for the Group's future development.

In the new fiscal year, the Group will continuously insist on quality, price, efficiency and service, keep understanding and meeting customers' needs, and adhere to the multi-format and omni-channel development strategy. The Group believes it has the ability to provide shopping, experience, services and social to offline families with kids and the getting-old group. The Group also has the strengths to provide better products and service experience for online otaku who are busy and enjoy the convenience of online shopping. The Group has great determination to build the fresh product supply chain capabilities as the competitive edge of RT-Mart, and also believes that Sun Art Retail will certainly create values for customers who are pursuing a better life, thereby becoming customers' good helper and neighbor in community daily life!

## **OTHER INFORMATION**

### **Corporate Governance**

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

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

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

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 March 2022 and up to the date of this announcement, save for the deviation of code provisions A.2.1 (now re-numbered as C.2.1) and C.3.7(a) (now re-numbered as D.3.7(a)) of the CG Code.

Code provision A.2.1 (now re-numbered as C.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.

From 1 April 2021 to 9 May 2021, the positions of Chairman and Chief Executive Officer of the Company were held by Mr. HUANG Ming-Tuan. With effect from 10 May 2021, Mr. LIN Xiaohai has been appointed as the Chief Executive Officer of the Company. As the positions of Chief Executive Officer and Chairman have been held by Mr. LIN Xiaohai and Mr. HUANG Ming-Tuan respectively, the Company has then complied with the code provision A.2.1 (now re-numbered as C.2.1) of the CG Code.

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

The Company had not, in writing, formulated a manual for employees to raise concern about possible improprieties in financial reporting, internal control or other matters. In practice, employees have direct access to the internal audit department via either a telephone line or a mailbox. In addition, they have direct access by email to the Executive Director and the senior management. The Directors regularly receive and review monthly financial reports. The Directors, through the Company's Audit Committee, meet quarterly with the Group's internal audit function, whose main responsibilities is to review the internal control system of the Group, including any issue reported by any employee about improprieties in financial reporting, internal control and other matters, if any. On 3 March 2022, the Company adopted whistleblowing policy, which incorporates the existing practice and other new measures, and therefore there is no deviation from the code provision C.3.7(a) (now re-numbered as D.3.7(a)) of the CG Code.

Further information of the Corporate Governance practice of the Company will be set out in the Corporate Governance Report to be included in the Annual Report of the Company for the year ended 31 March 2022.

### **Securities Transactions by Directors**

The Company has adopted its own code of conduct regarding Directors' and relevant employees' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 March 2022.

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

During the year ended 31 March 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **Audit Committee**

The Audit Committee, together with the management and the auditor of the Company, PricewaterhouseCoopers, have reviewed the accounting principles and practices adopted by the Group, and discussed internal control, whistleblowing policy and system and financial reporting matters, including the review of the audited consolidated financial statements for the financial year ended 31 March 2022.

## **Scope of Work of Company's Auditor**

The figures in respect of the Group's consolidated results for the year ended 31 March 2022 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amount set out in the Company's audited consolidated financial statements for the year ended 31 March 2022. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **Annual General Meeting ("AGM")**

The 2022 AGM will be held on 18 August 2022 (Thursday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

## **Final Dividend**

At the Board meeting held on 24 May 2022 (Tuesday), the Directors proposed that a final dividend ("**Final Dividend**") of HKD0.045 (equivalent to approximately RMB0.038) per ordinary share for the year ended 31 March 2022, amounting to approximately HKD429 million (equivalent to approximately RMB364 million) and it is expected to be paid on 30 September 2022 (Friday) to the shareholders of the Company whose names appeared on the Company's register of members at the close of business at 4:30 p.m. on 23 August 2022 (Tuesday). The proposed Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming AGM to be held on 18 August 2022 (Thursday).

## **Closure of Register of Members and Record Date**

### ***(a) For determining the entitlement to attend and vote at the 2022 AGM***

The Company's register of members will be closed from 15 August 2022 (Monday) to 18 August 2022 (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 2022 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 12 August 2022 (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 2022 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 23 August 2022 (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 23 August 2022 (Tuesday).

**Publication of 2021/2022 Final Results and Annual Report of the Company**

The final results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sunartretail.com](http://www.sunartretail.com)). The Annual Report of the Company for the year ended 31 March 2022 will be dispatched to the shareholders of the Company and made available for review on the aforesaid websites in due course.

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

For purpose of this announcement, the exchange rate of HKD1 = RMB0.8480 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

Hong Kong, 24 May 2022

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

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

*Non-Executive Directors:*  
HUANG Ming-Tuan (*Chairman*)  
HAN Liu  
LIU Peng

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