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 2023

HIGHLIGHTS OF ANNUAL RESULTS

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

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

Notes:

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

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

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 2023, together with the comparative figures for the year ended 31 March 2022 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 2023

		For the year ended 31 March	
		2023	2022
	Notes	***RMB million***	*RMB million*
Revenue	*4*	**83,662**	88,134
Cost		**(63,081)**	(66,661)
Gross profit		**20,581**	21,473
Selling and marketing expenses		**(18,510)**	(20,353)
Administrative expenses		**(2,369)**	(2,551)
Other income and other gains, net	*5*	**1,475**	1,449
Operating profit		**1,177**	18
Finance costs	*7*	**(454)**	(520)
Share of net loss of associates and joint ventures accounted for using the equity method		**(1)**	(1)
Profit/(loss) before income tax		**722**	(503)
Income tax expense	*8*	**(644)**	(323)
Profit/(loss) for the year		**78**	(826)
Other comprehensive income for the year		**–**	–
Total comprehensive income/(loss) for the year		**78**	(826)
Profit/(loss) is attributable to:			
Owners of the Company		**109**	(739)
Non-controlling interests		**(31)**	(87)
Profit/(loss) for the year		**78**	(826)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**109**	(739)
Non-controlling interests		**(31)**	(87)
Total comprehensive income/(loss) for the year		**78**	(826)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings/(loss) per share	*9*	**RMB0.01**	RMB(0.08)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		As at 31 March	
		2023	2022
	Notes	***RMB million***	*RMB million*
ASSETS			
Non-current assets			
Investment properties		**5,676**	5,830
Other property, plant and equipment		**22,749**	24,501
Intangible assets		**43**	31
Goodwill		**140**	140
Deferred tax assets		**1,470**	1,506
Trade and other receivables	*12*	**9**	–
Time deposits	*13*	**950**	–
Investments accounted for using the equity method		**–**	1
Total non-current assets		**31,037**	32,009
Current assets			
Inventories	*11*	**8,474**	9,723
Trade and other receivables	*12*	**3,064**	4,102
Time deposits	*13*	**2,319**	700
Financial assets at fair value through profit or loss (“**Financial assets at FVPL**”)	*14*	**4,452**	6,665
Restricted deposits	*15*	**2,364**	1,253
Cash and cash equivalents	*15*	**12,408**	11,294
Total current assets		**33,081**	33,737
Total assets		**64,118**	65,746
LIABILITIES			
Non-current liabilities			
Trade and other payables	*16*	**28**	49
Lease liabilities	*17*	**5,469**	6,108
Deferred tax liabilities		**443**	430
Total non-current liabilities		**5,940**	6,587
Current liabilities			
Trade and other payables	*16*	**18,794**	20,211
Lease liabilities	*17*	**1,570**	1,271
Contract liabilities	*18*	**12,715**	12,347
Borrowings	*19*	**673**	–
Current tax liabilities		**229**	264
Total current liabilities		**33,981**	34,093
Total liabilities		**39,921**	40,680
Net assets		**24,197**	25,066

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2023

		As at 31 March	
		2023	2022
	Notes	***RMB million***	*RMB million*
EQUITY			
Share capital		**10,020**	10,020
Reserves		**13,498**	13,938
Capital and reserves attributable to the owners of the Company		**23,518**	23,958
Non-controlling interests		**679**	1,108
Total equity		**24,197**	25,066

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 2023, the immediate parent of the Group is A-RT Retail Holdings Limited, which is incorporated in Hong Kong. The ultimate controlling party of the Group is Alibaba Group Holding Limited ("**Alibaba**"), a company incorporated in the Cayman Islands and its American depositary shares and ordinary shares are listed on the New York Stock Exchange and the Stock Exchange, respectively.

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 years ended 31 March 2023 and 2022 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2022 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 2023 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 2023 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.

3. CHANGE IN ACCOUNTING POLICIES

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

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

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

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 sales of goods to customers and rental from leasing areas in the hypermarket buildings. Disaggregation of revenue from contracts with customers by major products or services is as follows:

	For the year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Revenue from contracts with customers – sales of goods – recognised at a point in time	**80,535**	84,595
Revenue from other sources – rental income from tenants	**3,127**	3,539
Total revenue	**83,662**	88,134

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

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

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

5. OTHER INCOME AND OTHER GAINS, NET

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

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

(a) Employee benefit expense

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

(i) Contributions to defined contribution retirement plans

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

(ii) ***Expenses related to Employee Trust Benefit Schemes***

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

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

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

(b) Other items

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

* The amount is less than a million.

7. FINANCE COSTS

	For the year ended 31 March	
	2023	2022
	RMB million	*RMB million*
Interest expenses on lease liabilities	**447**	510
Interest expense on borrowings	**3**	–
Interest expenses on other financial liabilities	**4**	10
	454	520

8. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

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

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

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

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

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

9. EARNINGS/(LOSS) PER SHARE

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

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

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

10. DIVIDENDS

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

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

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

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

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

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

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

11. INVENTORIES

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

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

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

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

All inventories are expected to be sold within one year.

12. TRADE AND OTHER RECEIVABLES

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

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

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

Except for interests receivables of non-current time deposits which will be recovered after one year, all of the trade and other receivables classified as current assets are expected to be recovered within one year.

13. TIME DEPOSITS

	As at 31 March	
	2023	2022
	RMB million	*RMB million*
Included in non-current assets:		
RMB time deposits	**950**	–
Included in current assets:		
RMB time deposits	**2,319**	700
	3,269	700

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

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

14. FINANCIAL ASSETS AT FVPL

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

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

Amounts recognised in profit or loss

	For the year ended 31 March	
	2023	2022
	RMB million	*RMB million*
At the beginning of the year	**6,665**	12,002
Purchase	**13,810**	24,749
Redemption	**(16,202)**	(30,306)
Realised and unrealised gains *(Note 5)*	**179**	220
At the end of year	**4,452**	6,665

15. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

(a) Cash and cash equivalents

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

(b) Restricted deposits

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

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

16. TRADE AND OTHER PAYABLES

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

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

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

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

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

18. CONTRACT LIABILITIES

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

19. BORROWINGS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue is derived from sales of goods and rental income from tenants. Revenue from sales of goods is primarily derived from the brick-and-mortar stores and online sales channels where merchandise, mainly food, groceries, textile and general goods, are made available for sale. Revenue from sales of goods is net of value added tax and other applicable sales taxes after deducting any trade discounts. Rental income from tenants is derived from renting gallery spaces in brick-and-mortar stores complexes to operators of businesses that we believe are complementary to the stores.

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

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

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

Gross Profit

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

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

Notes:

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

Other Income and Other Gains, net

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

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

Selling and Marketing Expenses

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

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

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

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

Administrative Expenses

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

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

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

Operating profit

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

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

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

Finance Costs

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

Income Tax Expense

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

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

Profit/(Loss) for the Year

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

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

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

Profit/(Loss) Attributable to Owners of the Company

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

Loss Attributable to Non-Controlling Interests

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

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

Liquidity, Financial Resources and Gearing Ratio

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

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

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

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

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

Investing Activities

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

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

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

Financing Activities

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

Material Acquisitions and Disposals

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

Foreign Exchange Risks

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the Directors consider that the Group's exposure to foreign exchange risk is not significant.

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

Pledged Assets

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

BUSINESS REVIEW

Operating Environment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expansion Status

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

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

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

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

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

Notes:

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

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

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

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

Human Resources and Remuneration Policies

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

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

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

Outlook

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

OTHER INFORMATION

Corporate Governance

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential for providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance 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 2023 and up to the date of this announcement.

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 2023.

Securities Transactions by Directors

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 March 2023.

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

During the year ended 31 March 2023, 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 2023.

Scope of Work of Company's Auditor

The figures in respect of the Group's consolidated results for the year ended 31 March 2023 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 2023. 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 2023 AGM will be held on 16 August 2023 (Wednesday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Final Dividend

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

Closure of Register of Members and Record Date

(a) For determining the entitlement to attend and vote at the 2023 AGM

The Company's register of members will be closed from 11 August 2023 (Friday) to 16 August 2023 (Wednesday), both dates inclusive, during which period no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the 2023 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 10 August 2023 (Thursday).

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

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

Publication of 2022/2023 Final Results and Annual Report of the Company

The final results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sunartretail.com). The annual report of the Company for the year ended 31 March 2023 will be dispatched to the shareholders of the Company and make available for review on the aforesaid websites in due course.

Events Occurring After the Reporting Period

After the end of the reporting period, the Directors proposed the distribution of a final dividend. Details of the final dividend are set out in the section "Final Dividend" in this announcement. Save as disclosed above, no important event or transaction affecting the Group and which is required to be disclosed by the Company to its Shareholders has taken place after 31 March 2023.

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 = RMB0.8869 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, 16 May 2023

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