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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 2024

HIGHLIGHTS OF ANNUAL RESULTS

| | For the year ended 31 March | | Change | Change% |
|---|--------------------------------|---------|----------|------------|
| | 2024 | 2023 | | |
| | <i>RMB million</i> | | | |
| Revenue | 72,567 | 83,662 | (11,095) | (13.3)% |
| Gross Profit | 17,958 | 20,581 | (2,623) | (12.7)% |
| Operating (Loss)/Profit | (1,009) | 1,177 | (2,186) | (185.7)% |
| (Loss)/Profit for the Year | (1,668) | 78 | (1,746) | (2,238.5)% |
| (Loss)/Profit Attributable to Owners of the Company | (1,605) | 109 | (1,714) | (1,572.5)% |
| (Loss)/Earnings Per Share – Basic and diluted ⁽¹⁾ | RMB(0.17) | RMB0.01 | | |
| | As at 31 March | | Change | Change% |
| | 2024 | 2023 | | |
| | <i>RMB million</i> | | | |
| Total Assets | 60,715 | 64,118 | (3,403) | (5.3)% |
| Total Liabilities | 38,921 | 39,921 | (1,000) | (2.5)% |
| Net Assets | 21,794 | 24,197 | (2,403) | (9.9)% |
| Net Cash Position ⁽²⁾ | 16,504 | 19,449 | (2,945) | (15.1)% |

Notes:

- (1) As the Group incurred loss for the year ended 31 March 2024, the dilutive potential ordinary shares of share options were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. The calculation of basic and diluted (loss)/earnings per share for the years ended 31 March 2024 and 2023 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, time deposits and the aforementioned portions in assets of disposal groups classified as held for sale 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**”) announces the audited consolidated results of the Group for the year ended 31 March 2024, together with the comparative figures for the year ended 31 March 2023 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 2024

| | Notes | For the year ended 31 March | |
|---|-------|-----------------------------|-----------------------|
| | | 2024 RMB million | 2023 RMB million |
| Revenue | 4 | 72,567 | 83,662 |
| Cost | | <u>(54,609)</u> | <u>(63,081)</u> |
| Gross profit | | 17,958 | 20,581 |
| Selling and marketing expenses | | (18,178) | (18,510) |
| Administrative expenses | | (2,251) | (2,369) |
| Other income and other gains, net | 5 | <u>1,462</u> | <u>1,475</u> |
| Operating (loss)/profit | | (1,009) | 1,177 |
| Finance costs | 7 | (425) | (454) |
| Share of net loss of associates and joint ventures accounted for using the equity method | | <u>-</u> | <u>(1)</u> |
| (Loss)/profit before income tax | | (1,434) | 722 |
| Income tax expense | 8 | <u>(234)</u> | <u>(644)</u> |
| (Loss)/profit for the year | | (1,668) | 78 |
| Other comprehensive income for the year | | <u>-</u> | <u>-</u> |
| Total comprehensive (loss)/income for the year | | <u><u>(1,668)</u></u> | <u><u>78</u></u> |
| (Loss)/profit is attributable to: | | | |
| Owners of the Company | | (1,605) | 109 |
| Non-controlling interests | | <u>(63)</u> | <u>(31)</u> |
| (Loss)/profit for the year | | <u><u>(1,668)</u></u> | <u><u>78</u></u> |
| Total comprehensive (loss)/income attributable to: | | | |
| Owners of the Company | | (1,605) | 109 |
| Non-controlling interests | | <u>(63)</u> | <u>(31)</u> |
| Total comprehensive (loss)/income for the year | | <u><u>(1,668)</u></u> | <u><u>78</u></u> |
| (Loss)/earnings per share for (loss)/profit attributable to the owners of the Company: | | | |
| Basic and diluted (loss)/earnings per share | 9 | <u><u>RMB(0.17)</u></u> | <u><u>RMB0.01</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

| | | As at 31 March | |
|---|-------|----------------|---------------|
| | | 2024 | 2023 |
| | Notes | RMB million | RMB million |
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | | 5,302 | 5,676 |
| Other property, plant and equipment | | 20,969 | 22,749 |
| Intangible assets | | 55 | 43 |
| Goodwill | | – | 140 |
| Deferred tax assets | | 1,438 | 1,470 |
| Trade and other receivables | 12 | 51 | 9 |
| Time deposits | 13 | 1,830 | 950 |
| Restricted deposits | 13 | 710 | – |
| Total non-current assets | | 30,355 | 31,037 |
| Current assets | | | |
| Inventories | 11 | 7,691 | 8,474 |
| Trade and other receivables | 12 | 2,133 | 3,064 |
| Time deposits | 13 | 1,040 | 2,319 |
| Financial assets at fair value through profit or loss (“Financial assets at FVPL”) | 14 | 3,474 | 4,452 |
| Restricted deposits | 13 | 3,985 | 2,364 |
| Cash and cash equivalents | 15 | 11,908 | 12,408 |
| Assets of disposal groups classified as held for sale | 16 | 129 | – |
| Total current assets | | 30,360 | 33,081 |
| Total assets | | 60,715 | 64,118 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Trade and other payables | 17 | 28 | 28 |
| Lease liabilities | 18 | 4,950 | 5,469 |
| Deferred tax liabilities | | 443 | 443 |
| Total non-current liabilities | | 5,421 | 5,940 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 March 2024*

| | | As at 31 March | |
|--|--------------|---------------------------|---------------------------|
| | | 2024 | 2023 |
| | <i>Notes</i> | <i>RMB million</i> | <i>RMB million</i> |
| Current liabilities | | | |
| Trade and other payables | <i>17</i> | 16,812 | 18,794 |
| Lease liabilities | <i>18</i> | 1,678 | 1,570 |
| Contract liabilities | <i>19</i> | 12,675 | 12,715 |
| Borrowings | <i>20</i> | 1,749 | 673 |
| Current tax liabilities | | 79 | 229 |
| Liabilities directly associated with assets of disposal groups classified as held for sale | <i>16</i> | 507 | – |
| Total current liabilities | | 33,500 | 33,981 |
| Total liabilities | | 38,921 | 39,921 |
| Net assets | | 21,794 | 24,197 |
| EQUITY | | | |
| Share capital | | 10,020 | 10,020 |
| Reserves | | 11,383 | 13,498 |
| Capital and reserves attributable to the owners of the Company | | 21,403 | 23,518 |
| Non-controlling interests | | 391 | 679 |
| Total equity | | 21,794 | 24,197 |

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 2024, 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 Group**”), 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 2024 and 2023 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 2023 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 2024 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 2024 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 new and amended standards for the first time for their annual reporting period commencing 1 April 2023:

- HKFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2.
- Definition of Accounting Estimates – Amendments to HKAS 8.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12 (Note (i))
- International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12.

Note (i): The Group applied Amendments to HKAS 12 from 1 April 2023. In accordance with the amendments, the Group recognised deferred tax related to assets and liabilities arising from a single transaction of leases that gave rise to equal taxable and deductible temporary differences on the initial recognition of leases that occurred on or after the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest comparative period presented being 1 April 2022, an adjustment of RMB1,307 million was recognised to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resulting deferred tax assets and deferred tax liabilities were set off and presented on a net basis on the consolidated statement of financial position. There was nil impact on the opening balance of retained earnings for the reporting periods presented.

The other amendments listed above did not have any significant financial 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, membership fee 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 | |
|---|-----------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Revenue from contracts with customers | | |
| – recognised at a point in time | 69,431 | 80,535 |
| – recognised over time | 16 | – |
| Revenue from other sources – rental income from tenants | 3,120 | 3,127 |
| Total revenue | 72,567 | 83,662 |

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 | |
|---|-----------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Interest income on financial assets measured at amortised cost | 469 | 415 |
| Miscellaneous income | 418 | 521 |
| Government grants | 169 | 222 |
| Net gain/(loss) on disposal and reassessment of investment properties and other property, plant and equipment | 154 | (1) |
| Gain on financial assets measured at FVPL | 146 | 179 |
| Disposal of packaging material | 106 | 139 |
| | 1,462 | 1,475 |
| | 1,462 | 1,475 |

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

(a) Employee benefit expense

| | For the year ended 31 March | |
|---|-----------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Salaries, wages and other benefits | 8,551 | 9,002 |
| Contributions to defined contribution retirement plans ⁽ⁱ⁾ | 980 | 1,052 |
| Share-based compensation expenses ⁽ⁱⁱ⁾ | 27 | – |
| Expenses related to Employee Trust Benefit Schemes ⁽ⁱⁱⁱ⁾ | – | 12 |
| | 9,558 | 10,066 |
| | 9,558 | 10,066 |

(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) Share-based compensation expenses

a) Share options

On 18 August 2023, the Company granted a total of 60,000,000 share options with an exercise price of HKD2.18 per share to three grantees in accordance with the terms of the Share Option Scheme.

On 27 March 2024, the Company granted a total of 25,000,000 share options with an exercise price of HKD1.54 per share to one grantee in accordance with the terms of the Share Option Scheme.

Share options granted will expire in 10 years from the grant date. The share options have graded vesting terms, and vest in tranches from the grant date over the vesting period, on condition that employees remain in service without any performance requirements.

The share options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for 10 years after the date of grant.

During the year ended 31 March 2024, a total of 40,000,000 share options were forfeited.

For the year ended 31 March 2024, the Group recognised total expenses of RMB4 million in respect of the share options granted by the Company (for the year ended 31 March 2023: nil).

b) Share-based payments plans of Alibaba Group and its subsidiaries excluding the Group

Alibaba Group and its subsidiaries excluding the Group operates a number of share-based payments plans (including share options and restricted share units) covering certain employees of the Group. For the year ended 31 March 2024, the Group recognised total expenses of RMB23 million in respect of the share-based payments plans of Alibaba Group and its subsidiaries excluding the Group (for the year ended 31 March 2023: nil).

(iii) 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.

For the year ended 31 March 2023, the Group recognised total expenses of RMB12 million related to Employee Trust Benefit Schemes. No expenses related to Employee Trust Benefit Schemes was recognised for the year ended 31 March 2024.

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

The major items of cost of sales and expenses are listed below.

| | For the year ended 31 March | |
|--|------------------------------------|---------------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Cost of sales | 54,523 | 62,993 |
| Depreciation cost of investment properties and other property, plant and equipment | 3,391 | 3,622 |
| Operating lease charges | 881 | 951 |
| Impairment losses on investment properties and other property, plant and equipment | 1,208 | 384 |
| Impairment losses on goodwill | 140 | – |
| (Reversal of)/Loss allowance related to trade receivables and other debtors | (30) | 57 |
| Amortisation cost of intangible assets | 7 | 6 |
| Auditors' remuneration | | |
| – audit services | 16 | 17 |
| – non-audit services | 2 | 2 |
| Donations* | – | – |

* The amount is less than a million.

7. FINANCE COSTS

| | For the year ended 31 March | |
|--|------------------------------------|---------------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Interest expenses on lease liabilities | 402 | 447 |
| Interest expenses on borrowings | 20 | 3 |
| Interest expenses on other financial liabilities | 3 | 4 |
| | 425 | 454 |

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 | |
|---|------------------------------------|--------------------|
| | 2024 | 2023 |
| | RMB million | RMB million |
| Current tax-Hong Kong profits tax | | |
| Current tax on profits for the year ⁽ⁱ⁾ | <u>2</u> | <u>3</u> |
| Current tax-PRC income tax | | |
| Current tax on profits for the year ⁽ⁱⁱ⁾ | 179 | 516 |
| Withholding tax | 40 | 33 |
| Adjustments for current tax of prior year | <u>(19)</u> | <u>43</u> |
| Total current tax expense | <u>202</u> | <u>595</u> |
| Deferred income tax | | |
| Decrease in deferred tax assets | 115 | 36 |
| (Decrease)/increase in deferred tax liabilities | <u>(83)</u> | <u>13</u> |
| Total deferred tax benefit | <u>32</u> | <u>49</u> |
| Income tax expense | <u><u>234</u></u> | <u><u>644</u></u> |

- (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 2024 (for the year ended 31 March 2023: 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, Cai Shui [2023] 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% 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 2027; 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 2027. Approximately 41% of PRC subsidiaries of the Group enjoyed this preferential income tax treatment during the year ended 31 March 2024 (for the year ended 31 March 2023: approximately 34%).

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 2024 (for the year ended 31 March 2023: 15%).

- (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 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.

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.

As at 31 March 2024, deferred tax liability of RMB9 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 (31 March 2023: RMB17 million).

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

| | For the year ended 31 March | |
|---|------------------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| (Loss)/profit before income tax expense | <u>(1,434)</u> | <u>722</u> |
| Notional tax on (loss)/profit before taxation, calculated at PRC income tax rate of 25% | (359) | 181 |
| Statutory tax concession | (5) | (9) |
| Non-deductible expenses, less non-assessable income | 11 | 43 |
| PRC dividend withholding tax | 32 | – |
| Current year losses for which no deferred tax asset was recognised | 583 | 405 |
| Temporary differences for which no deferred tax asset was recognised | 7 | 24 |
| Reversal of previously recognised deferred tax assets | 44 | 62 |
| Utilisation of previously unrecognised tax losses | (46) | (66) |
| Recognition of previously unrecognised tax losses | (14) | (27) |
| Recognition of previously unrecognised temporary differences | – | (4) |
| Effect of change in the tax rates | – | (8) |
| (Over)/under-provision in respect of prior years | <u>(19)</u> | <u>43</u> |
| Actual tax expenses | <u>234</u> | <u>644</u> |

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 RMB1,605 million (during the year ended 31 March 2023: profit attributable to owners of the Company of RMB109 million) and the weighted average of 9,539,704,700 ordinary shares in issue during the year ended 31 March 2024 and 2023.

For the year ended 31 March 2024, the share options granted by the Company are considered to be potential ordinary shares (for the year ended 31 March 2023: nil). As the Group incurred loss for the year ended 31 March 2024, the dilutive potential ordinary shares of share options were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the diluted loss per share is same as the basic loss per share during the year ended 31 March 2024. No diluted earnings per share have been presented for the year ended 31 March 2023, as there were no dilutive potential ordinary shares in issue.

| | For the year ended 31 March | |
|--|-----------------------------|----------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| (Loss)/profit attributable to owners of the Company | (1,605) | 109 |
| 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>(0.17)</u> | <u>0.01</u> |

10. DIVIDENDS

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

| | As at 31 March | |
|--|--------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Final dividend proposed after the end of year of HKD0.020 (equivalent to RMB0.018) per ordinary share (for the year ended 31 March 2023: HKD0.045 (equivalent to RMB0.040) per ordinary share) | <u>174</u> | <u>381</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:

| | For the year ended 31 March | |
|--|-----------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Dividends paid to Company's shareholders | <u>401</u> | <u>377</u> |

A final dividend of HKD0.045 per ordinary share in respect of the year ended 31 March 2023 was approved on 16 August 2023, and the payment was made on 6 September 2023 for an amount equivalent to RMB401 million.

A final dividend of HKD0.045 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.

11. INVENTORIES

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

| | As at 31 March | |
|---------------------|--------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Trading merchandise | <u>7,691</u> | <u>8,474</u> |

(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 | |
|---------------------------------------|-----------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Carrying amount of inventories sold | 54,531 | 63,011 |
| Reversal of write-down of inventories | <u>(8)</u> | <u>(18)</u> |
| | <u>54,523</u> | <u>62,993</u> |

All inventories are expected to be sold within one year.

12. TRADE AND OTHER RECEIVABLES

| | As at 31 March | |
|-----------------------------------|--------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Trade receivables | | |
| Amounts due from related parties | 306 | 900 |
| Amounts due from third parties | 541 | 709 |
| Less: provision for impairment | <u>(200)</u> | <u>(304)</u> |
| Subtotal | <u>647</u> | 1,305 |
| Other receivables | | |
| Prepayments of rentals | 619 | 675 |
| Value-added tax receivables | 325 | 430 |
| Amounts due from related parties | – | 10 |
| Other debtors | 726 | 757 |
| Less: provision for impairment | <u>(133)</u> | <u>(104)</u> |
| Subtotal | <u>1,537</u> | 1,768 |
| Total trade and other receivables | <u>2,184</u> | 3,073 |
| Less: non-current portion | (51) | (9) |
| Current portion | <u>2,133</u> | <u>3,064</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 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 and non-current restricted 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 AND RESTRICTED DEPOSITS

(a) Time deposits

| | As at 31 March | |
|---------------------------------|---------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Included in non-current assets: | | |
| RMB time deposits | 1,830 | 950 |
| Included in current assets: | | |
| RMB time deposits | 1,040 | 2,319 |

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 2024 and 2023, the carrying amounts of the time deposits with initial terms of over three months approximated their fair values.

(b) Restricted deposits

| | As at 31 March | |
|---------------------------------|---------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Included in non-current assets: | | |
| Restricted time deposits | 710 | – |
| Included in current assets: | | |
| Restricted time deposits | 59 | – |
| Restricted deposits in bank | 3,926 | 2,364 |
| Subtotal | 3,985 | 2,364 |

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. FINANCIAL ASSETS AT FVPL

| | As at 31 March | |
|-----------------------------|--------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Structured deposits | 3,023 | 3,514 |
| Certificates of deposit (i) | 451 | 938 |
| | <u>3,474</u> | <u>4,452</u> |

- (i) The balance represents certain large-denomination negotiable certificates of deposits. 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 | |
|--|-----------------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| At the beginning of the year | 4,452 | 6,665 |
| Purchase | 6,830 | 13,810 |
| Redemption | (7,954) | (16,202) |
| Realised and unrealised gains (Note 5) | 146 | 179 |
| | <u>3,474</u> | <u>4,452</u> |

15. CASH AND CASH EQUIVALENTS

| | As at 31 March | |
|---|--------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Cash at bank and in hand | 10,367 | 11,040 |
| Deposits with banks within three months of maturity | 1,414 | 1,237 |
| Other financial assets and cash equivalents | 127 | 131 |
| | <u>11,908</u> | <u>12,408</u> |

16. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

In March 2024, the Board decided to sell certain brick-and-mortar stores. The sale is expected to be completed within 1 year. The associated assets and liabilities were consequently presented as held for sale.

The following assets and liabilities were reclassified as held for sale as at 31 March 2024:

| | As at 31 March 2024 RMB million |
|--|--|
| Assets of disposal groups classified as held for sale | |
| Investment properties | 18 |
| Other property, plant and equipment | 61 |
| Trade and other receivables | 34 |
| Restricted deposits* | – |
| Cash and cash equivalents | 16 |
| | <hr/> |
| Total assets of disposal groups classified as held for sale | 129 |
| | <hr/> <hr/> |
| Liabilities directly associated with assets of disposal groups classified as held for sale | |
| Trade and other payables | 62 |
| Lease liabilities | 356 |
| Contract liabilities | 88 |
| Current tax liabilities | 1 |
| | <hr/> |
| Total liabilities directly associated with assets of disposal groups classified as held for sale | 507 |
| | <hr/> <hr/> |

* The amount is less than a million.

17. TRADE AND OTHER PAYABLES

| | As at 31 March | |
|--|-----------------------|--------------------|
| | 2024 | 2023 |
| | RMB million | RMB million |
| Current liabilities | | |
| Trade payables | 10,312 | 11,478 |
| Construction costs payable | 798 | 835 |
| Amounts due to related parties | 691 | 1,173 |
| Dividends payable to non-controlling interests | 11 | 11 |
| Accruals and other payables | 5,000 | 5,297 |
| | <hr/> | <hr/> |
| | 16,812 | 18,794 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Non-current liabilities | | |
| Other financial liabilities | 28 | 28 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | As at 31 March | |
|-------------------|--------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Within six months | 8,578 | 9,740 |
| Over six months | 1,734 | 1,738 |
| | <u>10,312</u> | <u>11,478</u> |

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

18. 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 | | | |
|--------------------------------------|---|------------------------------|---|------------------------------|
| | 2024 | | 2023 | |
| | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments |
| | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> |
| Within 1 year | 1,678 | 2,003 | 1,570 | 1,950 |
| 1-2 years | 1,121 | 1,381 | 1,218 | 1,528 |
| 2-5 years | 1,974 | 2,464 | 1,962 | 2,571 |
| Over 5 years | 1,855 | 2,332 | 2,289 | 2,894 |
| | <u>4,950</u> | <u>6,177</u> | <u>5,469</u> | <u>6,993</u> |
| | <u>6,628</u> | <u>8,180</u> | <u>7,039</u> | <u>8,943</u> |
| Less: total future interest expenses | - | (1,552) | - | (1,904) |
| Present value of lease liabilities | <u>6,628</u> | <u>6,628</u> | <u>7,039</u> | <u>7,039</u> |

19. CONTRACT LIABILITIES

| | As at 31 March | |
|---|--------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Prepaid cards | 12,195 | 12,223 |
| Advance receipts from customers for sales | 215 | 348 |
| Customer loyalty program points liability | 244 | 144 |
| Membership fee | 21 | – |
| | <u>12,675</u> | <u>12,715</u> |

20. BORROWINGS

| | As at 31 March | |
|--|--------------------|--------------------|
| | 2024 | 2023 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Current liabilities | | |
| Bank borrowings, unsecured-maturity amount | 1,725 | 680 |
| Bank borrowings, secured-maturity amount | 39 | – |
| Less: unamortised discount | (15) | (7) |
| | <u>1,749</u> | <u>673</u> |

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

As at 31 March 2024, the effective interest rates per annum on borrowings was 2.145% (31 March 2023: 1.550%).

As at 31 March 2024, the carrying amount of land use rights pledged as security for borrowings were RMB167 million (31 March 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue is derived from sales of goods, membership fee 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. Membership fee is derived from operating membership stores that offer members lower prices on quality products. 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 2024, revenue from sales of goods was RMB69,431 million, representing a decrease of RMB11,104 million, or 13.8%, from RMB80,535 million for the year ended 31 March 2023. The decrease was mainly driven by (i) the closing down of the long-term loss-making stores; (ii) the shrinking demand of guaranteed supply business; and (iii) the decrease in average ticket size caused by the fading of customers' stockpiling mentality.

For the year ended 31 March 2024, the Same Store Sales Growth⁽¹⁾ (“SSSG”) calculated based on sales of goods (excluding the sale of electronic appliances and the sales to Alibaba Group on TAOCAICAI (“TCC”) and Tmall Shared Inventory) was -6.6%. The increase in average daily order per store of online Business to Customer (“B2C”) business mitigated the decline in average ticket size, which led to the B2C business achieving a low-digit year-on-year growth. Although the offline traffic was slightly recovering, the decline in average ticket size resulted in a high-digit year-on-year decrease of offline sales.

For the year ended 31 March 2024, revenue from membership fee, a new revenue generator, was RMB16 million.

For the year ended 31 March 2024, revenue from rental income was RMB3,120 million, representing a slight decrease of RMB7 million, or 0.2%, from RMB3,127 million for the year ended 31 March 2023.

Gross Profit

For the year ended 31 March 2024, gross profit was RMB17,958 million, representing a decrease of RMB2,623 million, or 12.7%, from RMB20,581 million for the year ended 31 March 2023. The gross profit margin for the year ended 31 March 2024 was 24.7%, representing an increase of 0.1 percentage points from 24.6% for the year ended 31 March 2023.

The decrease in gross profit resulted from (i) the decrease in revenue from sales of goods and (ii) maintaining price competitiveness.

Note:

- (1) Same Store Sales Growth: the growth rate of sales of the stores opened before 31 March 2024. It is calculated by comparing the sales derived from those stores during their operating periods in the year ended 31 March 2024 with sales during the corresponding year ended 31 March 2023.

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 gain/(loss) on disposal and reassessment of investment properties and other property, plant and equipment, and other miscellaneous income.

For the year ended 31 March 2024, other income and other gains, net was RMB1,462 million, representing a decrease of RMB13 million, or 0.9%, from RMB1,475 million for the year ended 31 March 2023. The decrease was mainly attributed to the reduction of government grants, disposal of packaging material and miscellaneous income, (including, among other things, parking fees, income from usage of playground facilities), while the increase of one-off net gain on the disposal and reassessment of investment properties and other property, plant and equipment partially offset the aforementioned reductions.

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, cleaning, packing and delivery, together with the depreciation of property, plant and equipment.

For the year ended 31 March 2024, selling and marketing expenses were RMB18,178 million, representing a decrease of RMB332 million, or 1.8%, from RMB18,510 million for the year ended 31 March 2023.

Without taking into account the impact of the impairment losses accrued for the stores with negative cash flows and those that are either closed or marked for closure, selling and marketing expenses were RMB16,970 million, representing a decrease of RMB1,156 million, or 6.4%, from RMB18,126 million for the year ended 31 March 2023.

The decrease was mainly due to the savings from personnel costs and the reduction of variable costs caused by the decrease in revenue from sales of goods.

The amount of selling and marketing expenses for the year ended 31 March 2024 as a percentage of total revenue was 25.0%, representing an increase of 2.9 percentage points, from 22.1% for the year ended 31 March 2023.

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 2024, administrative expenses were RMB2,251 million, representing a decrease of RMB118 million, or 5.0%, from RMB2,369 million for the year ended 31 March 2023.

Without taking into account the impact of the impairment losses accrued for the goodwill, administrative expenses were RMB2,111 million, representing a decrease of RMB258 million, or 10.9%, from RMB2,369 million for the year ended 31 March 2023.

The decrease was mainly attributable to the reversal of a special loss allowance related to the trade receivables and savings on personal costs.

The amount of administrative expenses for the year ended 31 March 2024 as a percentage of total revenue was 3.1%, representing an increase of 0.3 percentage points, from 2.8% for the year ended 31 March 2023.

Operating (Loss)/Profit

For the year ended 31 March 2024, the operating loss was RMB1,009 million, representing a decrease of RMB2,186 million, or 185.7%, from operating profit RMB1,177 million for the year ended 31 March 2023.

The operating loss margin for the year ended 31 March 2024 was 1.4%, a decrease of 2.8 percentage points, from the operating profit margin of 1.4% for the year ended 31 March 2023.

Without taking into account the impact of the RMB1,348 million impairment losses accrued, the operating profit was RMB339 million for the year ended 31 March 2024 and the operating profit margin was 0.5%.

Finance Costs

Finance costs primarily consist of the interest expenses on other financial liabilities, borrowings and lease liabilities. For the year ended 31 March 2024, the finance costs were RMB425 million, representing a decrease of RMB29 million, or 6.4%, from RMB454 million for the year ended 31 March 2023. The decrease was related to the reduced amortised interest expenses on lease liabilities.

Income Tax Expense

For the year ended 31 March 2024, income tax expense was RMB234 million, representing a decrease of RMB410 million, or 63.7%, from RMB644 million for the year ended 31 March 2023.

Although the Group generated a loss before income tax for the year ended 31 March 2024, the Group still incurred income tax expense of RMB234 million, which was mainly attributable to the unrecognised deferred tax on tax losses generated in several entities since the recoverability of those tax losses before their expiry was not certain.

(Loss)/Profit for the Year

For the year ended 31 March 2024, loss was RMB1,668 million, representing a decrease of RMB1,746 million, or 2,238.5%, from a profit of RMB78 million for the year ended 31 March 2023.

The net loss margin for the year ended 31 March 2024 was 2.3%, decreasing by 2.4 percentage points, from a net profit margin of 0.1% for the year ended 31 March 2023. The decrease was primarily attributable to the decrease in operating margin.

The post-tax impact of the impairment losses accrued mentioned above in the “Operating (Loss)/Profit” was RMB1,046 million. Without taking into account the impact of it, the Group generated a net loss of RMB622 million and the net loss margin was 0.9% for the year ended 31 March 2024.

(Loss)/Profit Attributable to Owners of the Company

For the year ended 31 March 2024, the loss attributable to owners of the Company was RMB1,605 million, representing a decrease of RMB1,714 million, or 1,572.5%, from a profit of RMB109 million for the year ended 31 March 2023.

Loss Attributable to Non-Controlling Interests

For the year ended 31 March 2024, the loss attributable to non-controlling interests was RMB63 million, representing a decrease of RMB32 million, or 103.2%, from a loss of RMB31 million for the year ended 31 March 2023.

The loss attributable to non-controlling interests represented (i) interests in ACI and CIC from the Auchan Scheme and RT-Mart Scheme (as defined above); (ii) the interest held by independent third parties in two of the subsidiaries, namely, 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, Financial Resources and Gearing Ratio

For the year ended 31 March 2024, net cash inflow from operating activities was RMB926 million, representing a decrease of RMB3,376 million, or 78.5%, from RMB4,302 million for the year ended 31 March 2023.

As at 31 March 2024, the net current liabilities increased to RMB3,140 million from RMB900 million as at 31 March 2023. The increase was primarily attributed to (i) a decrease in the current assets of RMB2,721 million, related to the decreased stock level and trade and other receivables as at 31 March 2024, and the Group's payment for the purchase of time deposits and restricted time deposits with maturity over a year; and (ii) a decrease in the current liabilities of RMB481 million, mainly from the decrease of trade and other payables. The decrease in current assets was greater than the decrease in current liabilities, which resulted in an increase in the net current liabilities.

For the year ended 31 March 2024, 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 72 days, respectively, compared to 52 days and 70 days for the year ended 31 March 2023.

As at 31 March 2024, the net cash position of the Group was RMB16,504 million as compared to RMB19,449 million as at 31 March 2023. The gearing ratio, calculated by dividing net cash position by the total equity was 0.76 as at 31 March 2024 as compared to 0.80 as at 31 March 2023.

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 2024, net cash outflow from investing activities was RMB52 million, representing a decrease of RMB1,148 million, or 95.7%, from RMB1,200 million for the year ended 31 March 2023. The decrease of net cash outflow was mainly attributable to (i) the increase in the net proceeds generated from investment in financial assets measured at FVPL and time deposits; and (ii) the decrease in the payment of capital expenditure.

The net cash outflow from investing activities was mainly reflected in (i) the capital expenditure of RMB1,278 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 RMB1,124 million; and (iii) the net proceeds used in investment in time deposits with maturity over three months of RMB367 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 2024, the total fair value of such properties was RMB50,450 million, among which, the fair value of the investment properties was RMB20,251 million.

Financing Activities

For the year ended 31 March 2024, net cash outflow from financing activities was RMB1,358 million, with a decrease of RMB630 million, or 31.7%, from RMB1,988 million for the year ended 31 March 2023. The decrease was mainly attributable to (i) the decrease in the cash paid for the acquisition of non-controlling interests; and (ii) the increase in the net proceeds generated from borrowings.

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 2024.

The Group contemplated to dispose certain non-performing assets in order to reduce losses and the costs of store closures. The associated assets and liabilities are consequently classified as held for sale in the consolidated statement of financial position as at 31 March 2024.

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 2024, the Group has pledged the land use rights with a net carrying amount of approximately RMB167 million to secure the specific bank loan.

BUSINESS REVIEW

Operating Environment

In 2023, China's gross domestic product ("GDP") steadily recovered, increasing by 5.2% year-on-year to about RMB126,058.2 billion. In terms of the growth rate per calendar quarter, the year-on-year growth rate was 6.3% in the second quarter, 4.9% in the third quarter and 5.2% in the fourth quarter. In the first quarter of 2024, China's GDP grew by 5.3% year-on-year to about RMB29,629.9 billion.

In 2023, the overall consumer price index ("CPI") increased by 0.2% compared to last year, of which the food CPI decreased by 0.3%. The pork CPI decreased by 13.6% and meat CPI decreased by 7.3%. The non-food CPI was up by 0.4%. In the first quarter of 2024, the CPI remained the same compared to the same period last year, of which the food CPI decreased by 3.2%, pork CPI decreased by 7.0% and meat CPI decreased by 6.4%. The non-food CPI was up by 0.7%.

In 2023, China's total retail sales of consumer goods amounted to RMB47,149.5 billion, representing a year-on-year increase of 7.2%. Divided by consumption types, the retail sales of commodities reached RMB41,860.5 billion, a year-on-year increase of 5.8%, and catering revenue reached RMB5,289 billion, a year-on-year increase of 20.4%. The catering industry recovered rapidly, while the growth rate of retail sales of commodities was relatively moderate. The national online retail sales reached RMB15,426.4 billion, representing a year-on-year increase of 11.0%. The online retail sales of physical goods amounted to RMB13,017.4 billion, representing a year-on-year increase of 8.4% and accounting for 27.6% of the total retail sales of consumer goods. In the first quarter of 2024, total retail sales of consumer goods amounted to RMB12,032.7 billion, representing a year-on-year increase of 4.7% compared to the first quarter of 2023. The online retail sales of physical goods reached RMB2,805.3 billion, representing a year-on-year increase of 11.6% and accounting for 23.3% of the total retail sales of consumer goods.

Business Performance

During the fiscal year, the online business sales accounted for approximately 29% of the Group's total revenue, of which B2C business accounted for about 22%. Sales derived from the Group's own App accounted for about 36% of the B2C business. The Group has accelerated the expansion of sales on third-party platforms starting from the fourth quarter of the fiscal year.

The Group has three membership stores opened in Yangzhou, Nanjing and Changzhou. Another four membership store projects have been launched and will be located in Changshu, Jiaxing, Wuxi and Jiangyin respectively. During the fiscal year, the number of paid members of the first M-Club store has exceeded 60,000, with a total number of members surpassing 110,000. The Group has started recruiting members in Changshu and Jiaxing. During the fiscal year, the cumulated number of paid members was approximately 140,000, and the total number of members was approximately 240,000.

In the future, the Group will fully leverage the foundation built by RT-Mart over the years to fully utilize its advantages and focus on stabilizing and increasing revenue scale, continuously refine and optimize the profit models of membership stores and superstores, accelerate the optimization of regional deployment and improve tail-end stores, resolutely reduce costs and increase efficiency, and streamline organization, in order to turn losses into profits. The Group will benefit customers with tangible discounts and high-quality products, foster employees' unity and dedication, and make RT-Mart a thriving and prosperous entity.

Expansion Status

During the year ended 31 March 2024, the Group opened six hypermarkets, 14 superstores and three membership stores, M-Club. Among the new hypermarkets and superstores, five are located in Eastern China, three are located in Northern China, three are located in Northeastern China, five are located in Southern China, two are located in Central China and two are located in Western China. During the reporting period, the Group closed 20 hypermarkets, of which four closed hypermarkets located in Eastern China will be converted into membership stores. Two membership stores have already opened and the remaining two have not opened yet. Among the other 16 closed hypermarkets, three were located in Eastern China, two were located in Northern China, four were located in Northeastern China, one was located in Southern China, four were located in Central China and two were located in Western China.

As of 31 March 2024, the Group had a total of 472 hypermarkets, 32 superstores and three membership stores, M-Club. The total gross floor area (“GFA”) of hypermarkets and superstores is approximately 13.38 million square meters, of which about 66.0% of the GFA was in leased properties, and 34.0% of the GFA was in self-owned properties. The GFA of membership store, M-Club, is approximately 133,625 square meters and is in self-owned property. Please refer to note 1 below for the definitions of regional zones.

As of 31 March 2024, approximately 6.5% of the Group’s hypermarkets and superstores were located in first-tier cities, 17.9% in second-tier cities, 49.1% in third-tier cities, 19.0% in fourth-tier cities and 7.5% in fifth-tier cities. Please refer to note 2 below for the definitions of city tiers.

As of 31 March 2024, through the execution of lease contracts or acquisition of land plots, the Group identified and secured four sites to open hypermarkets, signed contracts with 13 superstores and plans to open four membership stores in the new fiscal year.

| Region | Number of Brick-and-Mortar Stores (As of 31 March 2024) | | | | | Total GFA of Brick-and-Mortar Stores (sq.m.) (As of 31 March 2024) | | | | | | |
|--------------------|--|------------|------------|------------|-------------|---|----------------|----------------|-------------------|-------------|-------|------------|
| | Hypermarket | Superstore | Membership | | Total | Percentage | Hypermarket | Superstore | Membership | | Total | Percentage |
| | | | Store | | | | | | Store | | | |
| Eastern China | 180 | 13 | 3 | 196 | 38% | 5,244,433 | 85,149 | 133,625 | 5,463,207 | 40% | | |
| Northern China | 50 | 4 | 0 | 54 | 11% | 1,327,622 | 31,123 | 0 | 1,358,745 | 10% | | |
| Northeastern China | 50 | 5 | 0 | 55 | 11% | 1,670,017 | 44,329 | 0 | 1,714,346 | 13% | | |
| Southern China | 99 | 3 | 0 | 102 | 20% | 2,455,170 | 14,228 | 0 | 2,469,398 | 18% | | |
| Central China | 71 | 5 | 0 | 76 | 15% | 1,860,837 | 22,476 | 0 | 1,883,313 | 14% | | |
| Western China | 22 | 2 | 0 | 24 | 5% | 613,715 | 14,940 | 0 | 628,655 | 5% | | |
| Total | 472 | 32 | 3 | 507 | 100% | 13,171,794 | 212,245 | 133,625 | 13,517,664 | 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 2024, the Group had 86,226 employees (107,785 as of 31 March 2023). The total employee benefit expense was RMB9,558 million (RMB10,066 million as of 31 March 2023).

The Group's policy is to recruit and promote individuals based on merit and their development potentials. Remuneration packages offered to all employees are 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, share option scheme and Employee Trust Benefit Schemes (“**ETBS**”), respectively. The Group has adopted a share option scheme and the amended ETBS as approved by the shareholders of the Company on 16 August 2023 for the purpose of, among other things, recognising employees' contribution to the Group's continuous growth and success; and attracting and retaining high-calibre personnel to strive for the long term development of the Group. Further details in relation to the options or awards granted under share option scheme and the amended ETBS during the year ended 31 March 2024 will be set out in the annual report for the year ended 31 March 2024 of the Company.

Continuous trainings are provided to the employees.

Outlook

The Group is taking prompt actions to return to the essence of retailing and founding principles established by RT-Mart. The Group is reshaping pricing mentality and strengthening the starting-price products and core products. The Group aims to sell more and more high-quality products to more and more customers at lower and lower prices.

Increasing revenue and reducing costs are of utmost importance, and turning losses into profits is the Group's prime goal. The Group intends to regain revenue growth by accelerating special action plans for tail-end stores, implementing cost reduction and efficiency improvement measures, and ensuring that profits return to normal as soon as possible.

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 C1 to the Listing Rules.

The Company reviews its organizational structure regularly 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 2024 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 2024.

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 C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 March 2024.

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

During the year ended 31 March 2024, 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 2024.

Scope of Work of Company's Auditor

The figures in respect of the Group's consolidated results for the year ended 31 March 2024 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 2024. 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 2024 AGM will be held on 14 August 2024 (Wednesday). A notice convening the AGM will be published and dispatched (if requested) 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 21 May 2024 (Tuesday), the Directors proposed to declare a final dividend ("**Final Dividend**") of HKD0.020 (equivalent to approximately RMB0.018) per ordinary share for the year ended 31 March 2024, amounting to approximately HKD191 million (equivalent to approximately RMB174 million) that is expected to be paid on 4 September 2024 (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 21 August 2024 (Wednesday). The proposed Final Dividend is subject to approval by the shareholders of the Company at the forthcoming AGM to be held on 14 August 2024 (Wednesday).

Closure of Register of Members and Record Date

(a) For determining the entitlement to attend and vote at the 2024 AGM

The Company's register of members will be closed from 9 August 2024 (Friday) to 14 August 2024 (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 2024 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 8 August 2024 (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 2024 AGM. For determining the entitlement to the proposed Final Dividend, the record date is fixed on 21 August 2024 (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 21 August 2024 (Wednesday).

Publication of 2023/2024 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 2024 will be dispatched (if requested) to the shareholders of the Company and made 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 since 31 March 2024 and up to the date of this announcement.

By order of the Board
Sun Art Retail Group Limited
SHEN Hui
Executive Director and Chief Executive Officer

For purpose of this announcement, the exchange rate of HKD1 = RMB0.9115 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, 21 May 2024

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

Executive Director:
SHEN Hui (*Chief Executive Officer*)

Non-Executive Directors:
HUANG Ming-Tuan (*Chairman*)
HAN Liu
QIN Yuehong

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