

Sun Art Retail Group Ltd.

(Incorporated in Hong Kong with limited liability)

Stock Code: 6808



Offline Experience Center and Logistics Fulfillment Center Of Online Business

Multi format and Omni-channel • Digital Transformation • Restructuring Hypermarkets

Interim Report 2022



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CORPORATE INFORMATION

DIRECTORS

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

Dieter YIH

Charles Sheung Wai CHAN

AUDIT COMMITTEE

Charles Sheung Wai CHAN (*Chairman*)

Karen Yifen CHANG

Dieter YIH

REMUNERATION COMMITTEE

Karen Yifen CHANG (*Chairman*)

Dieter YIH

Charles Sheung Wai CHAN

LIU Peng

NOMINATION COMMITTEE

Dieter YIH (*Chairman*)

Karen Yifen CHANG

Charles Sheung Wai CHAN

LIU Peng

COMPANY SECRETARY

HO Hang Yu Helen

AUTHORISED REPRESENTATIVES

LIN Xiaohai

HO Hang Yu Helen

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Computershare Hong Kong Investor Services Limited

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AUDITORS

PricewaterhouseCoopers

Certified Public Accountants and

Registered PIE Auditor

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Central

Hong Kong

COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

HIGHLIGHTS OF INTERIM RESULTS

	For the six months ended 30 September		
	2022 (Unaudited) RMB million	2021 (Unaudited) RMB million	Change
Revenue	40,611	41,534	(2.2)%
Gross Profit	10,112	10,933	(7.5)%
Profit from Operations	500	560	(10.7)%
(Loss)/Profit for the Period	(87)	112	(177.7)%
(Loss)/Profit Attributable to Owners of the Company	(69)	117	(159.0)%
(Loss)/Earnings Per Share – Basic and diluted ⁽¹⁾	RMB(0.01)	RMB0.01	

Notes:

- (1) The calculation of basic and diluted (loss)/earnings per share for the six months ended 30 September 2022 and 2021 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Environment

In the first three calendar quarters of 2022, China's gross domestic product ("GDP") grew by 3.0% year-on-year to about RMB87,026.9 billion. In terms of the growth rate per calendar quarter, the year-on-year growth rate was 4.8% in the first quarter, 0.4% in the second quarter and 3.9% in the third quarter. The GDP in the third quarter showed a trend of recovery, with an obvious rebound from the GDP growth in the second quarter.

In the first three calendar quarters of 2022, the overall consumer price index ("CPI") increased by 2.0% compared to the same period last year, and the food CPI increased by 2.0%, of which the pork CPI decreased by 18.0% year-on-year. In July 2022, the year-on-year growth of pork CPI turned positive for the first time, with a year-on-year growth of 20.2%, which continued to expand in August and September, reaching 22.4% and 36.0% respectively.

In the first three calendar quarters of 2022, China's total retail sales of consumer goods amounted to RMB32,030.5 billion, representing a year-on-year increase of 0.7%. With the effective control of the pandemic, the growth rate of the total retail sales of social consumer goods has turned positive since June, from a year-on-year decline of 6.7% in May to a year-on-year growth of 3.1%. The recovery trend has continued to September. The national online retail sales amounted to RMB9,588.4 billion for the first three calendar quarters of 2022, representing a year-on-year increase of 4.0%. The online retail sales of physical goods reached 8,237.4 billion, representing a year-on-year increase of 6.1% and accounting for 25.7% of the total retail sales of social consumer goods.

Offline Experience Centers

The Group actively promoted the store remodeling version 2.0. Based on the customer value of "shopping, experience, services and social", the Group accelerated the implementation of product strategy, optimized procurement logic, improved product expression, and created diversified scenarios to provide a more pleasant shopping experience in stores.

In the first half of the fiscal year, the remodeling version 2.0 was gradually rolled out to four stores in Eastern China following the success in the first pilot store. The offline revenue of all these stores after the revamp achieved a double-digit growth.

The Group focused on the optimization of gallery tenants mix and introduced more tenants who are capable of bringing shoppers to the galleries. The gallery and the store collectively aimed to create incentives for in-store shopping, to become a good assistant in daily life and a good neighbor in community. During the reporting period, the gallery vacancy rate maintained at a low single-digit percentage with the proportion of catering and service tenants increased, accounting for more than one-third of the total tenants.

Online Fulfillment Centers

Based on differentiated target customers from various channels, the Group provided differentiated product operation and marketing, as well as online refined operation to improve customers' experience. The increase in online ticket size drove the online business to achieve a double-digit growth and maintained a sustainable economic model. During the pandemic in Shanghai in April and May, the online order centralized processing capability was strengthened and the same model was implemented in the stores located in other regions. As such, the negative impact on stores due to lockdown amid the pandemic has mitigated.

The one-hour delivery business continued to grow, providing differentiated operation and independent offering arrangements for customers, cities and business areas from various channels. The omni-channel membership systems were integrated to lay a good foundation for digital operation of customers and further improve the operation efficiency of different customer profiles.

The Multi-format and Omni-channel Development

As a “low-cost extension of RT-Mart”, the Group will open new RT-Super stores cautiously. The Group will continue to develop the business model of RT-Mini, focusing on community stores in Nantong City.

Fresh Product Supply Chain Development

In the first half of the fiscal year, the Group established eight organized, well-equipped and systematic fresh product processing centers to improve product quality and diversity, as well as the standardization of fresh products. During the reporting period, more than 200 stores have already switched the supply chains and maintained a steady development of fresh product supply chain in this process.

Sustainable Development

The Group supports long-term Environmental, Social and Governance (“ESG”) developments and endeavours to become a benchmark for green operation in the retail industry. The Group has set a clear long-term goal of achieving carbon neutrality for its own operations by 2030. In the future, the Group will focus more on providing safe, healthy and high-quality products, actively promote the development of sustainable green supply chain, emphasize the concept of “people-oriented”, and actively engage in pandemic control and disaster relief as well as various charity activities, so as to contribute to the society with actions.

MANAGEMENT DISCUSSION AND ANALYSIS

Expansion Status

During the six months ended 30 September 2022, the Group opened one hypermarket and two superstores, two of which were located in Eastern China and the other one was located in Northern China. During the period under review, the Group closed four stores, among them, one was located in Eastern China, one was located in Central China, one was located in Southern China and the remaining one was located in Western China. In addition, one store has changed from superstore to hypermarket.

As of 30 September 2022, the Group had a total of 488 hypermarkets, 10 superstores and 99 mini stores. On its own and through collaborations with third parties, the Group had a total of 20 fresh product processing centers across the country. Among them, there were five in Eastern China, five in Northern China, two in Northeastern China, four in Central China and four in Southern China. The total gross floor area (“GFA”) of hypermarkets and superstores was approximately 13.61 million square meters, of which about 67.2% was operated as leased space, and 32.8% of the GFA was in self-owned properties. The GFA of mini stores was approximately 21,256 square meters, all of which was leased space. Please refer to note 1 below for the definitions of the regions.

As of 30 September 2022, approximately 7.0% of the Group’s hypermarkets and superstores were located in first-tier cities; 16.5% in second-tier cities; 47.2% in third-tier cities; 21.5% in fourth-tier cities; and 7.8% in fifth-tier cities. Please refer to note 2 below for the definitions of tiers.

As of 30 September 2022, through the execution of lease contracts or acquisition of land plots, the Group had identified and secured 20 sites to open hypermarkets, of which 11 were under construction. At the same time, the Group had signed contracts in respect of 24 superstores, six of which are currently under construction as of the date of this report.

Region	Number of Brick-and-Mortar Stores (As of 30 September 2022)					Total GFA of Brick-and-Mortar Stores (sq.m.) (As of 30 September 2022)				
	Hypermarket	Superstore	Mini Store	Total	Percentage	Hypermarket	Superstore	Mini Store	Total	Percentage
Eastern China	185	5	71	261	45%	5,442,613	48,082	14,605	5,505,300	40%
Northern China	51	2	0	53	9%	1,327,103	16,261	0	1,343,364	10%
Northeastern China	54	2	0	56	9%	1,724,824	15,800	0	1,740,624	13%
Southern China	98	0	0	98	16%	2,417,944	0	0	2,417,944	18%
Central China	75	1	28	104	17%	1,940,391	6,425	6,651	1,953,467	14%
Western China	25	0	0	25	4%	668,610	0	0	668,610	5%
Total	488	10	99	597	100%	13,521,485	86,568	21,256	13,629,309	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 30 September 2022, the Company had 114,490 employees (123,413 as of 30 September 2021). The total employee benefit expense was RMB5,044 million (RMB5,101 million as of 30 September 2021).

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 Company also makes contributions to defined contribution retirement plans and Employee Trust Benefit Schemes, respectively.

Outlook

The Group will adhere to promote the three strategies and one capability and its implementation. The low-cost modular remodeling of hypermarkets will be accelerated to continuously facilitate product upgrading and differentiation. The Group will also speed up the membership digitization process and continue to build the differentiated procurement capabilities for omni-channel customers, so as to optimize operational efficiency and maintain a healthy and stable development of online business. By leveraging on RT-Mart's supply chain and organization capabilities, RT-Super will expand at low costs. The Group will improve RT-Mini's standardization of products and stores, and develop its business model. The Group will accelerate the construction of fresh product processing centers to realize business model iteration of fresh products.

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 space in brick-and-mortar stores complexes to operators of businesses that we believe are complementary to the stores.

For the six months ended 30 September 2022, revenue from sales of goods was RMB39,084 million, representing a decrease of RMB677 million, or 1.7%, from RMB39,761 million for the corresponding period ended 30 September 2021.

For the six months ended 30 September 2022, the Same Store Sales Growth⁽¹⁾ (“**SSSG**”) calculated based on sales of goods excluding electronic appliances was -0.2%. The Group’s offline sales, mainly contributed by sales from hypermarkets, had been adversely affected by the recurrence of pandemic and related prevention and control quarantine measures, while the Group’s online Business to Customer (the “**B2C**”) business and the sales to Alibaba Group on community group buying (the “**CGB**”) achieved significant progress and compensated for the drop of the Group’s offline sales.

For the six months ended 30 September 2022, revenue from rental income was RMB1,527 million, representing a decrease of RMB246 million, or 13.9%, from RMB1,773 million for the corresponding period ended 30 September 2021. The pandemic control measures implemented in public areas by local governments, such as restricting the flow of people, shortening business hours, and temporarily closing stores, resulted in the decrease in rental income. At the same time, the Group’s rent concession policy granted in favor of gallery tenants further reduced the rental income.

Notes:

- (1) Same store sales growth: the growth rate of sales of the stores opened before 30 September 2021. It is calculated by comparing the sales derived from those stores during their operating periods in the six months ended 30 September 2022 with sales during the corresponding periods ended 30 September 2021.

Gross Profit

For the six months ended 30 September 2022, gross profit was RMB10,112 million, representing a decrease of RMB821 million, or 7.5%, from RMB10,933 million for the corresponding period ended 30 September 2021. The gross profit margin for the six months ended 30 September 2022 was 24.9%, representing a decrease of 1.4 percentage points from 26.3% for the corresponding period ended 30 September 2021.

The decrease in gross profit resulted from (i) the decrease in revenue from sales of goods and rental income; and (ii) the growth in the revenue contribution of online business and changes in channel mix during the six months ended 30 September 2022 following the change in consumption habit of customers since the pandemic started.

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 six months ended 30 September 2022, other income and other gains, net was RMB802 million, representing an increase of RMB113 million, or 16.4%, from RMB689 million for the corresponding period ended 30 September 2021. The increase was mainly attributed to the profit on disposal and reassessment of right-of-use assets and the reduction of disposal loss of property, plant and equipment.

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 six months ended 30 September 2022, selling and marketing expenses were RMB9,378 million, representing a decrease of RMB509 million, or 5.1%, from RMB9,887 million for the corresponding period ended 30 September 2021.

The decrease was mainly due to (i) a decrease of RMB215 million impairment loss accrued for the stores; and (ii) the savings on operating cost resulted from the pandemic prevention and control measures required by local governments such as shortening business hours and temporarily closing stores.

The amount of selling and marketing expenses for the six months ended 30 September 2022 as a percentage of total revenue was 23.1%, representing a decrease of 0.7 percentage points from 23.8% for the corresponding period ended 30 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended 30 September 2022, administrative expenses were RMB1,036 million, representing a decrease of RMB139 million, or 11.8%, from RMB1,175 million for the corresponding period ended 30 September 2021.

The decrease was mainly related to (i) the reversal of a special loss allowance related to the trade receivables; and (ii) the management's effort in cost control.

The amount of administrative expenses for the six months ended 30 September 2022 as a percentage of total revenue was 2.6%, representing a decrease of 0.2 percentage points, from 2.8% for the corresponding period ended 30 September 2021.

Operating Profit

For the six months ended 30 September 2022, the profit from operations was RMB500 million, representing a decrease of RMB60 million, or 10.7%, from RMB560 million for the corresponding period ended 30 September 2021.

The operating margin during the six months ended 30 September 2022 was 1.2%, a decrease of 0.1 percentage points, from 1.3% for the corresponding period ended 30 September 2021.

Without taking into account the impact of the RMB142 million impairment loss accrued, the operating profit was RMB642 million for the six months ended 30 September 2022 and the operating margin was 1.6%.

Finance Costs

Finance costs primarily consist of the interest expenses on other financial liabilities and lease liabilities. For the six months ended 30 September 2022, the finance costs were RMB234 million, representing a decrease of RMB32 million, or 12.0%, from RMB266 million for the corresponding period ended 30 September 2021. The decrease was related to the reduced balance of lease liabilities.

Income Tax Expense

For the six months ended 30 September 2022, income tax expense was RMB352 million, representing an increase of RMB170 million, or 93.4%, from RMB182 million for the corresponding period ended 30 September 2021.

The related effective tax rate for the six months ended 30 September 2022 was 132.8%, an increase of 70.9 percentage points from 61.9% for the corresponding period ended 30 September 2021. The increase in the effective tax rate was attributable to the unrecognized deferred tax on losses generated in several entities since the recoverability of those losses before their expiry was not certain.

(Loss)/Profit for the Period

For the six months ended 30 September 2022, loss for the period was RMB87 million, representing a decrease of RMB199 million, or 177.7%, from a profit of RMB112 million for the corresponding period ended 30 September 2021.

The net loss margin for the six months ended 30 September 2022 was 0.2%, decreasing by 0.5 percentage points, from a net profit margin of 0.3% of the corresponding period ended 30 September 2021. The decrease was primarily attributable to the reduction in operating profit and the increase of income tax expense.

The post-tax impact of the impairment loss accrued mentioned above in the operating profit section was RMB107 million. Without taking into account the impact of it, the Group generated a profit of RMB20 million and the net profit margin was close to breakeven for the six months ended 30 September 2022.

(Loss)/Profit Attributable to Owners of the Company

For the six months ended 30 September 2022, the loss attributable to owners of the Company was RMB69 million, representing a decrease of RMB186 million, or 159.0%, from a profit of RMB117 million for the corresponding period ended 30 September 2021.

Loss Attributable to Non-Controlling Interests

For the six months ended 30 September 2022, the loss attributable to non-controlling interests was RMB18 million, representing a decrease of RMB13 million, or 260.0%, from a loss of RMB5 million for the corresponding period ended 30 September 2021.

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 two of the subsidiaries, People's RT-Mart Limited Jinan and Fields Hong Kong Limited ("**Fields HK**"); and (iii) the interest held by Hema (China) Co., Ltd. in Shanghai Run He Internet Technology Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

For the six months ended 30 September 2022, net cash inflow from operating activities was RMB3,127 million, representing a decrease of RMB31 million, or 1.0%, from RMB3,158 million for the corresponding period ended 30 September 2021.

As at 30 September 2022, the net current assets were RMB256 million as compared to the net current liabilities of RMB356 million as at 31 March 2022. The increase was primarily attributed to (i) an increase in the current assets of RMB2,426 million, which mainly resulted from the increase in the combined balance of cash and cash equivalents, restricted deposits and financial assets at FVPL; and (ii) an increase in the current liabilities of RMB1,814 million mainly attributed to the increased balance of trade payables and contract liabilities.

For the six months ended 30 September 2022, the inventory turnover days and trade payable turnover days, calculated on average balances of inventories and trade payables, together with the cost of inventories during past six months, were 57 days and 80 days, respectively, compared to 59 days and 81 days for the corresponding period ended 30 September 2021.

As at 30 September 2022, the net cash position of the Group was RMB20,332 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 0.83 as at 30 September 2022 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 six months ended 30 September 2022, net cash inflow from investing activities was RMB944 million, representing a decrease of RMB4,127 million, or 81.4%, from RMB5,071 million for the corresponding period ended 30 September 2021. The decrease was mainly attributable to the decrease in the net proceeds generated from investment in financial assets measured at FVPL.

The net cash inflow from investing activities was mainly reflected in (i) the capital expenditure of RMB588 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 assets at FVPL of RMB1,105 million; and (iii) the net proceeds generated from investment in time deposits with maturity over three months of RMB200 million.

Financing Activities

For the six months ended 30 September 2022, net cash outflow from financing activities was RMB1,187 million, with a decrease of RMB1,215 million, or 50.6%, from RMB2,402 million for the six months ended 30 September 2021. The decrease was mainly attributable to the decrease in the dividends paid and cash prepaid for the acquisition of non-controlling interests.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals in relation to subsidiaries, associates and joint ventures during the six months ended 30 September 2022.

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 the Group's exposure to foreign exchange risk is not significant.

As of the date of this report, 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 30 September 2022, the Group did not pledge any assets for bank loans or banking facilities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

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

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

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the six months ended 30 September 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the unaudited consolidated interim financial statements for the six months ended 30 September 2022 with the external auditors, PricewaterhouseCoopers, who have reviewed the interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410.

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 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 six months ended 30 September 2022.

CHANGES IN, AND UPDATES TO, INFORMATION RELATING TO THE DIRECTORS

Based on the confirmations obtained from the directors of the Company, during the reporting period, there was no change in, and update to, the information regarding the directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of Listing Rules as at the date of this report.

BOARD COMMITTEES

During the reporting period, the Company established an Environmental Social and Governance Management (“**ESG**”) Committee (the “**ESG Committee**”) and has approved its written terms in August 2022 in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange and other applicable rules. The ESG Committee is a three level governance structure with clearly assigned duties. The Board of Directors is the highest body responsible for leading and monitoring the Company’s ESG strategy and risks, approving ESG targets and reports, and regularly reviewing and constantly supervising the progress of ESG targets. ESG Management Committee and ESG Working Group are set under the Board of Directors. ESG Management Committee is responsible for ESG implementation and reporting, as well as overseeing the specific delivery from ESG Working Group. For details, please refer to the ESG’s terms of reference at the company’s website (<https://www.sunartretail.com/en/about/cg/esgmanagementcommittee.pdf>).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

DIVIDENDS

At the board meeting held on 15 November 2022, no dividend for the six months ended 30 September 2022 has been declared (for the six months ended September 30, 2021: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the printing of this interim report, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As of 30 September 2022, the interest or short position of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

<u>Name of director/chief executive</u>	<u>Name of corporation</u>	<u>Nature of interest</u>	<u>Total number of shares/ underlying shares held ⁽¹⁾</u>	<u>Approximate percentage shareholding of the relevant entity</u>
HUANG Ming-Tuan	The Company	Interest of spouse ⁽²⁾	68,334,202(L)	0.71%
LIN Xiaohai	Alibaba Group Holding Limited ⁽³⁾ ("Alibaba Group")	Beneficial owner	439,352(L) ⁽⁴⁾	0.00%
HAN Liu	Alibaba Group	Beneficial owner	215,616(L) ⁽⁵⁾	0.00%
LIU Peng	Alibaba Group	Beneficial owner	383,800(L) ⁽⁶⁾	0.00%
Charles Sheung Wai CHAN	Alibaba Group	Beneficial owner	13,128(L)	0.00%

Notes:

- (1) The letter “L” denotes the person’s long position in the shares.
- (2) Ms. LEE Chih-Lan is the spouse of Mr. HUANG Ming-Tuan. Ms. LEE Chih-Lan holds 66,782,964 shares through Unique Grand Trading Limited and 1,551,238 shares under her name. Accordingly, Mr. HUANG Ming-Tuan is deemed to be interested in all of the shares held by Ms. LEE Chih-Lan.
- (3) Alibaba Group is a company incorporated in the Cayman Islands with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange, stock symbol BABA, and its ordinary shares listed on the main board of The Stock Exchange of Hong Kong Limited, stock code 9988. Taobao China is a company incorporated in Hong Kong and a wholly-owned subsidiary of Alibaba Group, therefore Alibaba Group is deemed to be interested in all the shares in which Taobao China is interested in by virtue of Part XV of the SFO.
- (4) It represents 283,352 ordinary shares (American Depositary Shares (“**ADS**”)) and 156,000 Restricted Share Units (“**RSU**”) in the number of ordinary shares of Alibaba Group beneficially held by Mr. LIN Xiaohai.
- (5) It represents 99,616 ordinary shares (ADS) and 116,000 RSU in the number of ordinary shares of Alibaba Group beneficially held by Mr. HAN Liu.
- (6) It represents 383,800 RSU in the number of ordinary shares of Alibaba Group beneficially held by Mr. LIU Peng.

Save as disclosed above, so far as known to any Directors, as of 30 September 2022, none of the Directors or chief executives of the Company or any of their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as defined in Part XV of the SFO, which were required to be recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors or chief executives to the Company and the Stock Exchange pursuant to the Model Code.

As at 30 September 2022:

- (a) Mr. Lin Xiaohai was the vice president of Alibaba Group;
- (b) Mr. Han Liu was the general manager of the shared retail business unit (共享零售事業部), hyperlocal logistics business unit (同城物流事業部) and supermarket ecological business unit (超市生態事業部) of Alibaba Group, as well as the general manager of the supermarket business division of Alibaba Group’s local consumer services business segment; and
- (c) Mr. Liu Peng was president at the B2C retail department of Alibaba Group and a director in certain companies within the Alibaba Group.

Save as disclosed above, as at 30 September 2022, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares, underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as of 30 September 2022, the persons or corporations (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company or its associated corporation(s) which were recorded in the register required to be kept under section 336 of the SFO were as follows:

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

Notes:

- (1) The letter "L" denotes long position in the shares.
- (2) A-RT is directly owned by Taobao China as to 100% interest, therefore Taobao China is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.
- (3) Taobao China is a company incorporated in Hong Kong with limited liability, and is directly wholly-owned by Taobao Holding, which is in turn owned by Alibaba Group. As at 30 September 2022, Taobao Holding held an aggregated long interest of 73.66% in the Company, of which Taobao China directly held 2,607,565,384 shares, constituting 27.33% interest in the Company.
- (4) Taobao Holding is a company incorporated in Cayman Islands, which is wholly-owned by Alibaba Group. Taobao China is wholly-owned by Taobao Holding, therefore Taobao Holding is deemed to be interested in all the shares in which Taobao China is interested in by virtue of Part XV of the SFO.
- (5) New Retail Strategic Opportunities GP Limited is the general partner of New Retail Strategic Opportunities Fund GP, L.P., which in turn is the general partner of New Retail Strategic Opportunities Fund, L.P. New Retail is an investment vehicle wholly-owned by New Retail Strategic Opportunities Fund, L.P. Therefore, New Retail Strategic Opportunities GP Limited is deemed to be interested in all the shares in which New Retail is interested by virtue of Part XV of the SFO. New Retail Strategic Opportunities GP Limited is directly wholly-owned by Alibaba Investment Limited (which in turn is directly wholly-owned by Alibaba Group). Therefore, Alibaba Investment Limited is deemed to be interested in all the shares in which New Retail is interested by virtue of Part XV of the SFO.
- (6) Alibaba Group is a company incorporated in the Cayman Islands and its American depositary shares and ordinary shares are listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited, respectively. Each of Taobao Holding and Alibaba Investment Limited is directly wholly-owned by Alibaba Group, therefore Alibaba Group is deemed to be interested in all the shares in which Taobao China and New Retail are interested in by virtue of Part XV of the SFO.
- (7) Such 4,419,731,966 shares belong to the same batch of shares.
- (8) Such 480,369,231 shares belong to the same batch of shares.

Save as disclosed above, as of 30 September 2022, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.



羅兵咸永道

Report on Review of Interim Financial Information
To the Board of Directors of Sun Art Retail Group Limited
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 52, which comprises the condensed consolidated statement of financial position of Sun Art Retail Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 September 2022 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 November 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Notes	Unaudited Six months ended 30 September	
		2022 RMB million	2021 RMB million
Revenue	6	40,611	41,534
Cost		(30,499)	(30,601)
Gross profit		10,112	10,933
Selling and marketing expenses		(9,378)	(9,887)
Administrative expenses		(1,036)	(1,175)
Other income and other gains, net	8	802	689
Operating profit		500	560
Finance costs	9	(234)	(266)
Share of net loss of associates and joint ventures accounted for using the equity method		(1)	–
Profit before income tax		265	294
Income tax expense	10	(352)	(182)
(Loss)/profit for the period		(87)	112
Other comprehensive income for the period		–	–
Total comprehensive (loss)/income for the period		(87)	112
(Loss)/profit is attributable to:			
Owners of the Company		(69)	117
Non-controlling interests		(18)	(5)
(Loss)/profit for the period		(87)	112

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Unaudited	
		Six months ended 30 September	
	<i>Notes</i>	2022	2021
		RMB million	<i>RMB million</i>
<hr/>			
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(69)	117
Non-controlling interests		(18)	(5)
<hr/>			
Total comprehensive (loss)/income for the period		(87)	112
<hr/>			
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:			
Basic and diluted (loss)/earnings per share	11	RMB(0.01)	RMB0.01

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 RMB million (Unaudited)	31 March 2022 RMB million
ASSETS			
Non-current assets			
Investment properties	13	5,662	5,830
Other property, plant and equipment	13	23,400	24,501
Intangible assets	14	36	31
Goodwill		140	140
Deferred tax assets		1,481	1,506
Investments accounted for using the equity method		–	1
Total non-current assets		30,719	32,009
Current assets			
Inventories		9,531	9,723
Trade and other receivables	15	3,658	4,102
Time deposits		500	700
Financial assets at fair value through profit or loss ("Financial assets at FVPL")	16	5,654	6,665
Restricted deposits	17	2,642	1,253
Cash and cash equivalents	17	14,178	11,294
Total current assets		36,163	33,737
Total assets		66,882	65,746
LIABILITIES			
Non-current liabilities			
Trade and other payables	19	28	49
Lease liabilities	18	5,936	6,108
Deferred tax liabilities		409	430
Total non-current liabilities		6,373	6,587
Current liabilities			
Trade and other payables	19	21,604	20,211
Contract liabilities	20	12,791	12,347
Current tax liabilities		114	264
Lease liabilities	18	1,398	1,271
Total current liabilities		35,907	34,093
Total liabilities		42,280	40,680
Net assets		24,602	25,066

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 RMB million (Unaudited)	31 March 2022 RMB million
EQUITY			
Share capital	21	10,020	10,020
Reserves		13,492	13,938
Capital and reserves attributable to the owners of the Company		23,512	23,958
Non-controlling interests		1,090	1,108
Total equity		24,602	25,066

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The condensed consolidated financial statements on pages 22 to 52 were approved by the Board of Directors on 15 November 2022 and were signed on its behalf.

LIN Xiaohai
Executive Director and Chief Executive Officer

HUANG Ming-Tuan
Non-Executive Director and Chairman

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company							
	Share capital RMB million	Capital reserve RMB million	Exchange reserve RMB million	Statutory reserve RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 April 2021	10,020	1,911	45	1,560	12,687	26,223	1,631	27,854
Comprehensive income								
Profit/(loss) for the period	-	-	-	-	117	117	(5)	112
Total comprehensive income	-	-	-	-	117	117	(5)	112
Transactions with owners in their capacity as owners								
Dividend provided for or paid	-	-	-	-	(1,031)	(1,031)	-	(1,031)
Total transactions with owners in their capacity as owners	-	-	-	-	(1,031)	(1,031)	-	(1,031)
Balance at 30 September 2021 (Unaudited)	10,020	1,911	45	1,560	11,773	25,309	1,626	26,935

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Exchange reserve	Statutory reserve	Retained earnings	Total		
Notes	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Balance at 1 April 2022	10,020	1,416	45	1,922	10,555	23,958	1,108	25,066
Comprehensive loss								
Loss for the period	-	-	-	-	(69)	(69)	(18)	(87)
Total comprehensive loss	-	-	-	-	(69)	(69)	(18)	(87)
Transactions with owners in their capacity as owners								
Dividend provided for or paid	-	-	-	-	(377)	(377)	(21)	(398)
Other	-	-	-	-	-	-	21	21
Total transactions with owners in their capacity as owners	-	-	-	-	(377)	(377)	-	(377)
Balance at 30 September 2022 (Unaudited)	10,020	1,416	45	1,922	10,109	23,512	1,090	24,602

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Notes	Unaudited Six months ended 30 September	
		2022 RMB million	2021 RMB million
Cash flows from operating activities			
Cash generated from operations		3,625	3,576
Income taxes paid		(498)	(418)
Net cash inflow from operating activities		3,127	3,158
Cash flows from investing activities			
Proceeds from sale of investment properties and other property, plant and equipment		18	32
Proceeds from redemption of time deposits with maturity over three months		705	18
Proceeds from redemption of financial assets at FVPL		9,785	19,746
Interest received		217	153
Payment for investment properties and other property, plant and equipment		(588)	(1,053)
Payment for intangible assets	14	(8)	–
Payment for the purchase of time deposits with maturity over three months		(505)	(1,350)
Payment for financial assets at FVPL		(8,680)	(12,475)
Net cash inflow from investing activities		944	5,071
Cash flows from financing activities			
Cash injection from non-controlling interests	23(c)	–	65
Cash collected from repayment of prepaid consideration of acquisition of non-controlling interests	23(c)	–	399
Principal element of lease rentals paid		(453)	(476)
Interest element of lease rentals paid	9	(233)	(264)
Cash prepaid for acquisition of non-controlling interests	23(c)	(108)	(1,005)
Repayment of interests		(1)	(3)
Dividends paid to Company's shareholders	12, 19	(369)	(1,031)
Dividends paid to non-controlling interests in subsidiaries		(23)	(87)
Net cash outflow from financing activities		(1,187)	(2,402)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		11,294	8,096
Effects of exchange rate changes on cash and cash equivalents		–	–
Cash and cash equivalents at end of the period	17	14,178	13,923

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 interim financial report comprises the Company and its subsidiaries (the “**Group**”). The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

2 BASIS OF PREPARATION

This condensed consolidated financial report for the six months ended 30 September 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2022 and any public announcements made by the Company during the interim reporting period.

The financial information relating to the year ended 31 March 2022 that is included in the condensed consolidated interim financial information for the six months ended 30 September 2022 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year 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 Hong Kong Companies Ordinance (Cap. 622) 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 622(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

2 BASIS OF PREPARATION (CONTINUED)

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

3 SIGNIFICANT ACCOUNTING POLICIES

New and amended standards adopted by the Group

The Group has applied the following amendments 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations not yet adopted

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 September 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 April 2023
Amendments to HKFRS 17	Insurance Contracts	1 April 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 April 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 April 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 April 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 April 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 April 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4 ESTIMATES

The preparation of condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

5 FINANCIAL RISK MANAGEMENT

(a) Fair value measurement

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Recurring fair value measurements at 30 September 2022 (Unaudited)

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
Financial assets:				
– Financial assets at FVPL	–	2,813	2,841	5,654

Recurring fair value measurements at 31 March 2022

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
Financial assets:				
– Financial assets at FVPL	–	2,010	4,655	6,665

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for wealth management product with unobservable return.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Fair value measurement (Continued)

- (ii) Fair value measurements using significant observable inputs (level 2)
The fair value of structured deposits in Level 2 is determined by observable inputs which are derived and evaluated based on the yield rate written in contracts with the commercial banks.
- (iii) Fair value measurements using significant unobservable inputs (level 3)
The following table presents the changes in level 3 items for the six months ended 30 September 2022.

	Financial assets at FVPL
Balance at 1 April 2022	4,655
Purchase	5,380
Redemption	(7,254)
Gain recognised in profit or loss	60
Balance at 30 September 2022 (Unaudited)	2,841

There were no transfers between the levels of the fair value hierarchy in the six months ended 30 September 2022. There were also no changes made to any of the valuation techniques applied as of 31 March 2022.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair value as at 30 September 2022 (Unaudited)	Valuation technique	Unobservable input	Range/ (weighted average)
Financial assets at FVPL	2,841	Income approach	Discount rate	1.00%-3.75%/ (2.34%)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

(i) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities At 31 March 2022	Within 1 year or on demand RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total contractual cash flows RMB million	Carrying amount liabilities RMB million
Non-derivatives						
Trade and other payables	17,557	-	-	49	17,606	17,606
Lease liabilities (Note 18)	1,740	1,554	2,956	3,357	9,607	7,379
Total non-derivatives	19,297	1,554	2,956	3,406	27,213	24,985

Contractual maturities of financial liabilities At 30 September 2022 (Unaudited)	Within 1 year or on demand RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total contractual cash flows RMB million	Carrying amount liabilities RMB million
Non-derivatives						
Trade and other payables	18,853	-	-	28	18,881	18,881
Lease liabilities (Note 18)	1,791	1,444	3,077	2,738	9,050	7,334
Total non-derivatives	20,644	1,444	3,077	2,766	27,931	26,215

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

6 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 purposes, into business units based on the banner under which the brick-and-mortar stores and online sales channels are operated. As all of the Group's brick-and-mortar stores and online sales channels are operated in the PRC, have similar economic characteristics, and are similar in respect of products and services provided and customer type, the Group has one reportable operating segment which is the operation of brick-and-mortar stores and online sales channels in the PRC.

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

	Six months ended 30 September	
	2022 RMB million (Unaudited)	2021 RMB million (Unaudited)
Revenue from contracts with customers – sales of goods – recognised at a point in time	39,084	39,761
Revenue from other sources – rental income from tenants	1,527	1,773
Total revenue	40,611	41,534

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 costs when incurred because the amortisation period would have been 1 year or less.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

7 DETAIL OF COST OF SALES AND EXPENSES

(a) Employee benefit expense

	Six months ended 30 September	
	2022 RMB million (Unaudited)	2021 RMB million (Unaudited)
Salaries, wages and other benefits	4,518	4,551
Contributions to defined contribution retirement plans	526	514
Contributions to Employee Trust Benefit Schemes (i)	–	36
	5,044	5,101

(i) Contributions to Employee Trust Benefit Schemes

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

7 DETAIL OF COST OF SALES AND EXPENSES (CONTINUED)

(b) Other items

	Six months ended 30 September	
	2022 RMB million (Unaudited)	2021 RMB million (Unaudited)
Cost of sales	30,463	30,554
Depreciation cost of investment properties and other property, plant and equipment	1,786	2,013
Operating lease charges	497	489
Impairment losses (Note 13(c))	142	357
Amortisation cost of intangible assets (Note 14)	3	5
(Reversal of)/loss allowance related to trade receivables and other debtors	(35)	29

8 OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 September	
	2022 RMB million (Unaudited)	2021 RMB million (Unaudited)
Miscellaneous income	259	245
Interest income on financial assets measured at amortised cost	204	153
Government grants	148	146
Gain on financial assets measured at FVPL	94	140
Disposal of packaging material	74	67
Net gain/(loss) on disposal and reassessment of investment properties and other property, plant and equipment	23	(62)
	802	689

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

9 FINANCE COSTS

	Six months ended 30 September	
	2022 RMB million (Unaudited)	2021 RMB million (Unaudited)
Interest expenses on lease liabilities	233	264
Interest expenses on other financial liabilities	1	2
	234	266

10 INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2022 RMB million (Unaudited)	2021 RMB million (Unaudited)
<i>Current tax-Hong Kong profit tax</i>		
Current tax on profits for the period(a)	19	3
Adjustments for current tax of prior periods*	–	–
<i>Current tax-PRC income tax</i>		
Current tax on profits for the period	286	291
Adjustments for current tax of prior periods	43	47
Total current tax expense	348	341
<i>Deferred income tax</i>		
Decrease/(increase) in deferred tax assets	25	(189)
(Decrease)/increase in deferred tax liabilities	(21)	30
Total deferred tax benefit	4	(159)
Income tax expense	352	182

* The amount is less than a million.

10 INCOME TAX EXPENSE (CONTINUED)

- (a) Entities incorporated in Hong Kong are subject to Hong Kong profits tax under the two-tiered profits tax regime, which the tax rate is 8.25% for assessable profits in the first HK\$2 million and 16.5% for any assessable profits in excess. However, for two or more connected entities, only one of them may elect the two-tiered profits tax rates.
- (b) PRC subsidiaries are subject to income tax at 25% for the six months ended 30 September 2022 (2021: 25%) under the Enterprise Income Tax law (“**EIT law**”).

Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No.13) and Announcement on Implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Businesses (Cai Shui [2021] No.12) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, qualified Small and Micro Enterprises meeting the criteria of employee number less than 300, total assets less than RMB50 million and annual taxable income less than RMB3 million are entitled to preferential tax treatment. More specifically, for the portion of annual taxable income which does not exceed RMB1 million, income tax shall be calculated at 12.5% of the annual taxable income using the tax rate of 20%; for the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), income tax shall be calculated at 50% of the annual taxable income using the tax rate of 20%. Approximately 46% of PRC subsidiaries of the Group enjoyed this preferential income tax treatment during the 2021 annual tax filing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

10 INCOME TAX EXPENSE (CONTINUED)

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

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

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

During the six months ended 30 September 2022, no deferred tax expenses (six months ended 30 September 2021: RMB2 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.

As at 30 September 2022, no deferred tax liabilities were provided on post-2007 undistributed profits of the Group’s PRC subsidiaries amounted to RMB8,409 million for which the Group has no plan to distribute them outside the PRC in the foreseeable future (31 March 2022: RMB8,495 million).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

11 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of RMB69 million (six months ended 30 September 2021: profit attributable to owners of the Company of RMB117 million) and the weighted average of 9,539,704,700 ordinary shares (six months ended 30 September 2021: 9,539,704,700 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares during the six months ended 30 September 2022 and 2021 and therefore diluted earnings per share is equivalent to basic earnings per share.

	Six months ended 30 September	
	2022	2021
	RMB million	RMB million
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company	(69)	117
Weighted average number of ordinary shares in issue	9,539,704,700	9,539,704,700
Basic (loss)/earnings per share (expressed in RMB per share)	(0.01)	0.01

12 DIVIDENDS

	Six months ended 30 September	
	2022	2021
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Dividends provided for or paid to Company's shareholders	377	1,031

No interim dividend has been declared in respect of the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) *Right-of-use assets*

During the six months ended 30 September 2022, the Group recognised the additions to right-of use assets of RMB555 million (six months ended 30 September 2021: RMB403 million).

The leases of hypermarket buildings contain variable lease payment terms that are based on sales generated from the hypermarkets and minimum annual lease payment terms that are fixed. At 30 September 2022, it is estimated that an increase/decrease in sales generated from these retail stores by 5% would have increased/decreased the lease payments by RMB16 million (31 March 2022: RMB37 million).

(b) *Acquisitions and disposals*

During the six months ended 30 September 2022, the Group incurred capital expenditure of RMB258 million (six months ended 30 September 2021: RMB840 million), primarily in respect of new store developments and store remodelling and digitalisation. Items of building and leasehold improvements and equipment with a net book value of RMB55 million were disposed during the six months ended 30 September 2022 (six months ended 30 September 2021: RMB103 million), resulting in a loss on disposal of RMB25 million (six months ended 30 September 2021: RMB78 million).

(c) *Impairment provision*

For the six months period ended 30 September 2022, impairment losses were made against the carrying amount of building and leasehold improvements, equipment and right-of-use assets in certain stores of the Group. The impairment losses of RMB142 million (six months ended 30 September 2021: RMB357 million) were recognised in "Selling and marketing expenses" (Note 7(b)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

14 INTANGIBLE ASSETS

	Software
	<i>RMB million</i>
At 31 March 2022	
Cost	229
Accumulated amortisation and impairment	(198)
Net book amount	<u>31</u>
Six months ended 30 September 2022	
Opening net book amount	31
Additions	8
Amortisation charge (Note 7(b))	(3)
Closing net book amount	<u>36</u>
At 30 September 2022 (Unaudited)	
Cost	237
Accumulated amortisation and impairment	(201)
Net book amount	<u>36</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

15 TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Trade receivables		
Amounts due from related parties (Note 23(d))	1,772	1,723
Amounts due from third parties	550	437
Less: provision for impairment	(221)	(262)
Subtotal	2,101	1,898
Other receivables		
Prepayments of rentals	505	883
Value-added tax receivables	350	599
Other debtors	797	811
Less: provision for impairment	(95)	(89)
Subtotal	1,557	2,204
Total trade and other receivables	3,658	4,102

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

16 FINANCIAL ASSETS AT FVPL

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Structured deposits	5,654	6,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

17 CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

(a) Cash and cash equivalents

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Cash at bank and in hand	12,976	9,950
Deposits with banks within three months of maturity	1,055	1,103
Other financial assets and cash equivalents	147	241
	14,178	11,294

(b) Restricted deposits

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Restricted deposits in bank	2,642	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

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 30 September 2022		As at 31 March 2022	
	Present value of the minimum lease payments RMB million (Unaudited)	Total minimum lease payments RMB million (Unaudited)	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million
Within 1 year	1,398	1,791	1,271	1,740
1-2 years	1,129	1,444	1,079	1,554
2-5 years	2,486	3,077	2,315	2,956
Over 5 years	2,321	2,738	2,714	3,357
	5,936	7,259	6,108	7,867
	7,334	9,050	7,379	9,607
Less: Total future interest expenses	–	(1,716)	–	(2,228)
Present value of lease liabilities	7,334	7,334	7,379	7,379

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

19 TRADE AND OTHER PAYABLES

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Current liabilities		
Trade payables	14,268	12,951
Construction costs payable	835	1,166
Amounts due to related parties (Note 23(d))	992	471
Dividends payable to non-controlling interests	11	13
Dividends payable to Company's shareholders	8	–
Accruals and other payables	5,490	5,610
	21,604	20,211
Non-current liabilities		
Other financial liabilities	28	49

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

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Within six months	12,176	11,735
Over six months	2,092	1,216
	14,268	12,951

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

20 CONTRACT LIABILITIES

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Prepaid cards	12,429	12,073
Advance receipts from customers for sales	300	246
Customer loyalty program points liability	62	28
	12,791	12,347

21 SHARE CAPITAL

	As at 30 September 2022		As at 31 March 2022	
	(Unaudited)	RMB million (Unaudited)		RMB million
Registered, issued and fully paid	9,539,704,700	10,020	9,539,704,700	10,020

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

22 COMMITMENTS

Capital commitments outstanding and not provided for in the financial statements were as follows:

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Contracted for	544	609
Authorised but not contracted for	1,552	1,867
	2,096	2,476

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

23 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

During the six months ended 30 September 2022 and 2021, the directors are of the view that the following entities are related parties of the Group:

<u>Name of Party</u>	<u>Relationship</u>
Alibaba Group Holding Limited and its subsidiaries, associates, and joint ventures (“ Alibaba Group ”)	Ultimate holding company, its subsidiaries, associates and joint ventures
Auchan Holding and its subsidiaries	Former ultimate holding company (before 19 October 2020) and its subsidiaries
Hwabao Trust Co., Ltd. (“ Hwabao ”)	Trustee of RT-Mart Scheme and Auchan Scheme trusts

(b) Key management compensation

Key management includes Chairman, Executive directors and Chief Executive Officers. The compensation paid or payable to key management for employee services is shown as below:

	Six months ended 30 September	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	30	33
Post-employment benefits	–	–
Share-based payments	–	–
	30	33

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions

In addition to the related party information disclosed elsewhere in the notes to the unaudited interim financial report, the Group entered into the following material related party transactions during the six months ended 30 September 2022 and 2021.

	Six months ended 30 September	
	2022 RMB million (Unaudited)	2021 RMB million (Unaudited)
Sales of goods (i)	1,476	2,863
Commission income (ii)	111	220
Other miscellaneous income (iii)	220	210
Factoring service income	–	2
Purchase of goods (iv)	86	109
Other expenses paid for business cooperation (v)	1,017	835
Receiving logistic service	–	12
Receiving technical service	16	15
Received capital injection (vi)	–	65
Prepayment for acquisition of non-controlling interests (vii)	108	1,005
Received repayment of prepaid consideration of acquisition of non-controlling interests (viii)	–	399
Purchase of fixed assets (ix)	4	13
Sales of fixed assets (x)	5	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) *Related party transactions (Continued)*

- (i) Sales of goods represents sales of merchandise to Alibaba Group.
- (ii) Commission income represents the income from Alibaba Group.
- (iii) Other miscellaneous income represents fees received from Alibaba Group relates to marketing and other services.
- (iv) Purchase of goods represents purchase of merchandise from Alibaba Group.
- (v) Other expense represents expenses paid to Alibaba Group in respect of the services provided under the respective business cooperation agreements.
- (vi) Received capital injection from Hwabao.
- (vii) Prepayment for acquisition of non-controlling interests held by Hwabao.
- (viii) Received repayment of prepaid consideration of acquisition of non-controlling interests from Hwabao.
- (ix) Purchase of fixed assets represents purchase of equipment from subsidiaries and an associate of Alibaba Group.
- (x) Sales of fixed assets represents sales of store equipment to subsidiaries of Alibaba Group.

(d) *Related party balances*

	As at 30 September 2022 RMB million (Unaudited)	As at 31 March 2022 RMB million
Amounts due from Alibaba Group	1,664	1,723
Amounts due from Hwabao (i)	108	–
Amounts due to Alibaba Group	(992)	(471)

- (i) As of 30 September 2022, the amount of RMB108 million represents the prepayment for acquisition of non-controlling interests held by Hwabao.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

24 CONTINGENCIES

As at 30 September 2022, legal actions have commenced against the Group by certain customers, suppliers and landlords in respect of disputes on purchase agreements and property lease arrangements. The total amount claimed is RMB670 million (31 March 2022: RMB445 million). As at 30 September 2022, those legal actions are still ongoing, with most of the cases not yet set for trial dates. Provision of RMB165 million (31 March 2022: RMB126 million) was made within trade and other payables as at 30 September 2022, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

25 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no material subsequent events from 30 September 2022 to the approval date of the interim financial information by the Board of Directors on 15 November 2022.

26 ROUNDING OF AMOUNTS

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million currency units unless otherwise stated.