

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

Value for money • Health • Fun • Service • Experience



Interim Report 2023

Corporate Information	2
Highlights of Interim Results	3
Management Discussion And Analysis	4
Corporate Governance And Other Information	13
Review Report	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Condensed Consolidated Statement of Financial Position	34
Condensed Consolidated Statement of Changes in Equity	36
Condensed Consolidated Statement of Cash Flows	38
Notes To The Condensed Consolidated Financial Information	39

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

HUANG Ming-Tuan (*appointed on 16 May 2023*)

LIU Peng (*ceased on 16 May 2023*)

NOMINATION COMMITTEE

Dieter YIH (*Chairman*)

Karen Yifen CHANG

Charles Sheung Wai CHAN

HUANG Ming-Tuan (*appointed on 16 May 2023*)

LIU Peng (*ceased on 16 May 2023*)

COMPANY SECRETARY

HO Hang Yu Helen

AUTHORISED REPRESENTATIVES

LIN Xiaohai

HO Hang Yu Helen

REGISTERED OFFICE IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, Hong Kong

BRANCH OFFICE IN HONG KONG

25/F, Tower 1, Times Square

1 Matheson Street, Causeway Bay, Hong Kong

PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" OR "CHINA")

No. 255, Jiangchang Xi Road

Jing'an District, Shanghai, China

200436

LEGAL ADVISER

Herbert Smith Freehills

23rd Floor, Gloucester Tower

15 Queen's Road Central, Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants and

Registered PIE Auditor

22/F, Prince's Building

Central

Hong Kong

COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

HIGHLIGHTS OF INTERIM RESULTS

	For the six months ended 30 September		
	2023 (Unaudited) RMB million	2022 (Unaudited) RMB million	Change
Revenue	35,768	40,611	(11.9)%
Gross Profit	8,889	10,112	(12.1)%
Profit from Operations	19	500	(96.2)%
Loss for the Period	(378)	(87)	(334.5)%
Loss Attributable to Owners of the Company	(359)	(69)	(420.3)%
Loss Per Share – Basic and diluted ⁽¹⁾	RMB(0.04)	RMB(0.01)	

Note:

- (1) As the exercise price of the share options is higher than the average price of the ordinary shares for the period, the share options are not included in the calculation of diluted loss per share. The calculation of basic and diluted loss per share for the six months ended 30 September 2023 and 2022 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 2023, China's gross domestic product ("GDP") grew by 5.2% year-on-year to about RMB91,302.7 billion. In terms of the growth rate per calendar quarter, the year-on-year growth rate was 4.5% in the first quarter, 6.3% in the second quarter and 4.9% in the third quarter.

In the first three calendar quarters of 2023, the overall consumer price index ("CPI") increased by 0.4% compared to the same period last year, and the food CPI increased by 0.9%, of which the pork CPI decreased by 6.8% year-on-year, showing a trend from high to low. In May 2023, the year-on-year growth of pork CPI turned from positive to negative, with the decline expanding to 26.0% in July and narrowing to 17.9% in August. Pork prices continued to decline to 22.0% in September.

In the first three calendar quarters of 2023, China's total retail sales of consumer goods amounted to RMB34,210.7 billion, representing a year-on-year increase of 6.8%. Since the growth rate of total retail sales of consumer goods hit the bottom in July 2023, its growth rate rebounded in August, reaching 4.6%. This recovery trend has continued to September, with a year-on-year increase of 5.5%. The national online retail sales amounted to RMB10,819.8 billion for the first three calendar quarters of 2023, representing a year-on-year increase of 11.6%. The online retail sales of physical goods reached RMB9,043.5 billion, representing a year-on-year increase of 8.9% and accounting for 26.4% of the total retail sales of social consumer goods.

Business and Strategy Progress

In 2022, the Group restructured the private label ("PL") team and redefined the positioning of PL products, that is, adhering to the concept of safety, health, pleasure, and high quality-to-price ratio with the focus on quality upgrading and meeting core customers' needs. The first PL product hit the market in October 2022. At present, PL products mainly cover groceries, snacks and beverages, daily necessities, pet products and 3R (ready-to-cook, ready-to-eat, and ready-to-heat) products. As of 30 September 2023, the Group has developed more than 100 PL products and the sales penetration rate was almost 10% of the overall sales of the sub-categories involved. The Group will vigorously develop PL products and accelerate to improve the proportion of differentiated products.

From target customers' perspectives, the hypermarket remodeling version 2.0 focused on products and services featured with healthy and happy shopping scenes, so as to create value-added services with perception, mindset and word-of-mouth for customers. As of 30 September 2023, the Group has totally completed 8 whole stores remodeling, and more than 50 partial remodeling projects. The Group has actively adjusted the tenant mix of galleries by focusing on catering and services, and the rate of gallery vacancy area has decreased to approximately 4%.

The Group has continued to improve customer satisfaction and on-time fulfilment rates. The fulfilment cost has continued to improve and the online average daily order per store (“**DOPS**”) has continued to increase. The Group will extend its service time and expand its scope of service, increase user growth of own APP, deepen cooperation with Taoxianda and Ele.me, and explore new online channels.

The Group opened the first membership store (“**M-Club**”) in Yangzhou in April 2023. Converted from an existing store, the membership store covers approximately 45,000 square meters, with an operating area of approximately 12,000 square meters and 800 parking spaces. As of 30 September 2023, the number of paid members of Yangzhou M-Club has exceeded 50,000 and the total number of members was close to 100,000. The number of products in M-Club was about 3,000, with over 10% being PL products. M-Club also provides one-hour delivery service within three-kilometer radius from the store. In the second half of the fiscal year 2024, two property stores located in Nanjing and Changzhou will be converted into membership stores and open for business. In the future, the Group will actively look for appropriate sites and accelerate store expansion.

Expansion Status

During the six months ended 30 September 2023, the Group opened three hypermarkets, seven superstores and one membership store, M-Club. Among the new hypermarkets and superstores, two are located in Northern China, two are located in Northeastern China, three are located in Southern China, one is located in Central China and two are located in Western China. The newly opened membership store, M-Club, is located in Eastern China. During the reporting period, the Group closed four hypermarkets, of which two closed hypermarkets located in Eastern China will be converted into membership stores. The other two closed hypermarkets, one was located in Northern China and the other one was located in Western China.

As of 30 September 2023, the Group had a total of 485 hypermarkets, 19 superstores and one membership store, M-Club. The Group had a total of 14 self-constructed fresh produce processing centers across the country. Among them, there were five in Eastern China, two in each of Northern China, Northeastern China, Southern China and Central China, and one in Western China. The total gross floor area (“**GFA**”) of hypermarkets and superstores is approximately 13.74 million square meters, of which about 66.7% was in leased properties, and 33.3% was in self-owned properties. The GFA of our membership store, M-Club, is approximately 45,798 square meters and is in self-owned property. Please refer to note 1 below for definitions of regional zones.

As of 30 September 2023, approximately 6.7% of the Group's hypermarkets and superstores were located in first-tier cities, 18.1% in second-tier cities, 48.4% in third-tier cities, 19.3% in fourth-tier cities and 7.5% in fifth-tier cities. Please refer to note 2 below for definitions of city tiers.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 September 2023, through the execution of lease contracts or acquisition of land plots, the Group identified and secured three sites to open hypermarkets, of which two are under construction. At the same time, there were 18 superstores which the Group has signed contracts, of which six are under construction.

Region	Number of Brick-and-Mortar Stores (As of 30 September 2023)					Total GFA of Brick-and-Mortar Stores (sq.m.) (As of 30 September 2023)				
	Membership			Total	Percentage	Membership			Total	Percentage
	Hypermarket	Superstore	Store			Hypermarket	Superstore	Store		
Eastern China	183	6	1	190	38%	5,404,204	62,521	45,798	5,512,523	40%
Northern China	51	3	0	54	11%	1,350,602	24,486	0	1,375,088	10%
Northeastern China	54	4	0	58	11%	1,767,034	30,878	0	1,797,912	13%
Southern China	99	2	0	101	20%	2,475,235	10,165	0	2,485,400	18%
Central China	75	2	0	77	15%	1,955,185	10,038	0	1,965,223	14%
Western China	23	2	0	25	5%	634,570	14,940	0	649,510	5%
Total	485	19	1	505	100%	13,586,830	153,028	45,798	13,785,656	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 2023, the Group had 102,101 employees (114,490 as of 30 September 2022). The total employee benefit expense was RMB4,634 million (RMB5,044 million as of 30 September 2022).

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 (the “**Shareholders**”) 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 share option scheme and the amended ETBS are set out in the “Share Schemes” section of this report.

Continuous trainings are provided to the employees.

Outlook

In the first half of the fiscal year of 2024, customers had more choices under the circumstance of omnichannel competition. The Group has continued to facilitate the process of product differentiation, and accelerated store remodeling, scene and layout revamping to enhance offline experiences. Online multi-format business has been steadily developing, and the first membership store has opened successfully. The Group will continue to firmly adhere to the foundation of quality-to-price ratio and the customer value of health and pleasure to meet customers' needs.

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 including 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 the rental of gallery space in brick-and-mortar stores complexes to operators of businesses, which we believe are complementary to the stores.

For the six months ended 30 September 2023, revenue from sales of goods was RMB34,225 million, representing a decrease of RMB4,859 million, or 12.4%, from RMB39,084 million for the corresponding period ended 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2023, 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 -5.9%. The comparable sales decrease was mainly driven by (i) the decline in the pork and fresh vegetables CPI compared to the same period last year; (ii) the shrinking demand of guaranteed supply business; and (iii) the decrease in average pieces purchased per order caused by the fading of customers’ stock up mentality, leading to the lower average ticket size. However, the offline traffic and the average daily order per store of online Business to Customer (the “**B2C**”) business were recovering and achieved year-on-year growth, and the gap in performance for core businesses in the second quarter of the fiscal year 2023 had narrowed significantly.

For the six months ended 30 September 2023, revenue from rental income was RMB1,543 million, representing an increase of RMB16 million, or 1.0%, from RMB1,527 million for the corresponding period ended 30 September 2022. The rental income had increased and had subsequently stabilised, which was attributable to the management’s efforts to continuously adjust and optimise the tenant mix of galleries sequentially. And the gallery vacancy rate declined for the six months ended 30 September 2023.

Note:

- (1) Same store sales growth: the growth rate of sales of the stores opened before 30 September 2022. It is calculated by comparing the sales derived from those stores during their operating periods in the six months ended 30 September 2023 with sales during the corresponding periods ended 30 September 2022.

Gross Profit

For the six months ended 30 September 2023, gross profit was RMB8,889 million, representing a decrease of RMB1,223 million, or 12.1%, from RMB10,112 million for the corresponding period ended 30 September 2022. The gross profit margin for the six months ended 30 September 2023 was 24.9%, which kept flat with the gross profit margin for the corresponding period ended 30 September 2022.

The decrease in gross profit was resulted from the scaling down of TCC and Tmall Shared Inventory business and a shrinking of guaranteed supply business, maintaining price competitiveness and destocking in the process of streamlining products, and the low base in marketing investments under stock up mentality last year.

Other Income and Other Gains, net

Other income and other gains, net, consists of government grants, gain on financial assets measured at fair value through profit or loss (“**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 2023, other income and other gains, net was RMB746 million, representing a decrease of RMB56 million, or 7.0%, from RMB802 million for the corresponding period ended 30 September 2022. 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, temporary rental payments from the usage of brick-and-mortar stores spaces for advertisement and promotion stands).

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 2023, selling and marketing expenses were RMB8,718 million, representing a decrease of RMB660 million, or 7.0%, from RMB9,378 million for the corresponding period ended 30 September 2022.

The decrease was mainly due to (i) a decrease of RMB372 million savings on personal costs, which was benefited from the sustainable optimisation of the store manpower management model driven by the improved digital transformation capabilities; and (ii) the management's effort to increase cost control and efficiency. The savings of the expenses partially offset the decrease of gross profit.

The amount of selling and marketing expenses for the six months ended 30 September 2023 as a percentage of the total revenue was 24.4%, representing an increase of 1.3 percentage points from 23.1% for the corresponding period ended 30 September 2022.

Administrative Expenses

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

For the six months ended 30 September 2023, administrative expenses were RMB898 million, representing a decrease of RMB138 million, or 13.3%, from RMB1,036 million for the corresponding period ended 30 September 2022.

The decrease was mainly related to (i) a decrease of RMB33 million savings on personal costs; and (ii) the reversal of a special loss allowance related to the trade receivables.

The amount of administrative expenses for the six months ended 30 September 2023 as a percentage of total revenue was 2.5%, representing a decrease of 0.1 percentage points, from 2.6% for the corresponding period ended 30 September 2022.

Operating Profit

For the six months ended 30 September 2023, the profit from operations was RMB19 million, representing a decrease of RMB481 million, or 96.2%, from RMB500 million for the corresponding period ended 30 September 2022.

The operating margin during the six months ended 30 September 2023 was 0.1%, a decrease of 1.1 percentage points, from 1.2% for the corresponding period ended 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

Finance costs primarily consist of interest expenses on borrowings, other financial liabilities and lease liabilities. For the six months ended 30 September 2023, the finance costs were RMB213 million, representing a decrease of RMB21 million, or 9.0%, from RMB234 million for the corresponding period ended 30 September 2022. The decrease was related to the reduced amortised interest expenses on lease liabilities for the six months ended 30 September 2023.

Income Tax Expense

For the six months ended 30 September 2023, the income tax expense was RMB184 million, representing a decrease of RMB168 million, or 47.7%, from RMB352 million for the corresponding period ended 30 September 2022.

Although the Group generated a loss before income tax for the six months ended 30 September 2023, the income tax expense of RMB184 million still took place, which was mainly attributable to the unrecognised deferred tax on losses generated in several entities since the recoverability of those losses before their expiry was not certain.

Loss for the Period

For the six months ended 30 September 2023, loss for the period was RMB378 million, representing an increase of RMB291 million, or 334.5%, from a loss of RMB87 million for the corresponding period ended 30 September 2022.

The net loss margin for the six months ended 30 September 2023 was 1.1%, increasing by 0.9 percentage points, from a net loss margin of 0.2% of the corresponding period ended 30 September 2022. The increase was primarily attributable to the reduction in operating profit.

Loss Attributable to Owners of the Company

For the six months ended 30 September 2023, the loss attributable to owners of the Company was RMB359 million, representing an increase of RMB290 million, or 420.3%, from a loss of RMB69 million for the corresponding period ended 30 September 2022.

Loss Attributable to Non-Controlling Interests

For the six months ended 30 September 2023, the loss attributable to non-controlling interests was RMB19 million, representing an increase of RMB1 million, or 5.6%, from a loss of RMB18 million for the corresponding period ended 30 September 2022.

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

Liquidity, Financial Resources and Gearing Ratio

For the six months ended 30 September 2023, net cash inflow from operating activities was RMB2,801 million, representing a decrease of RMB326 million, or 10.4%, from RMB3,127 million for the corresponding period ended 30 September 2022.

As at 30 September 2023, the net current liabilities were RMB761 million as compared to the net current liabilities of RMB900 million as at 31 March 2023. The decrease of the net current liabilities was primarily attributed to (i) an increase in the current assets of RMB1,691 million, which mainly resulted from the increase in the combined balance of cash and cash equivalents, restricted deposits, financial assets at FVPL and time deposits; and (ii) an increase in the current liabilities of RMB1,552 million mainly attributed to the increased balance of trade payables, contract liabilities and borrowings.

For the six months ended 30 September 2023, the inventory turnover days and trade payable turnover days, calculated based on the average balances of inventories and trade payables, together with the cost of inventories during the past six months, were 58 days and 81 days, respectively, compared to 57 days and 80 days for the corresponding period ended 30 September 2022.

As at 30 September 2023, the net cash position of the Group was RMB20,893 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 0.89 as at 30 September 2023, 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 Shareholders' return and a 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 2023, net cash inflow from investing activities was RMB263 million, representing a decrease of RMB681 million, or 72.1%, from RMB944 million for the corresponding period ended 30 September 2022. The decrease was mainly attributable to the decrease in the net proceeds generated from the investment in financial assets measured at FVPL.

The net cash inflow from investing activities was mainly reflected in (i) the capital expenditure of RMB513 million paid in respect of the development of new stores and the remodelling and digitalisation of existing stores; (ii) the net proceeds generated from the investment in financial assets at FVPL of RMB91 million; and (iii) the net proceeds generated from investments in time deposits with maturity over three months of RMB432 million.

Financing Activities

For the six months ended 30 September 2023, net cash outflow from financing activities was RMB663 million, with a decrease of RMB524 million, or 44.1%, from RMB1,187 million for the six months ended 30 September 2022. The decrease was mainly attributable to the new proceeds of RMB494 million from a borrowings received.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023.

Foreign Exchange Risks

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

As at 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 the Group's exposure to foreign exchange risk at minimum.

Pledged Assets

As at 30 September 2023, the Group did not pledge any assets for bank loans or banking facilities.

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 its 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

The Company reviews regularly its organisational 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 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2023 with the external auditors, PricewaterhouseCoopers, who have reviewed the interim financial information 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 2023.

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

The changes in information of the Directors pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company’s 2022/2023 annual report to the date of this report are set out below:

During the reporting period, the Remuneration Committee and the Board have considered and approved the remuneration of Mr. Dieter YIH (“**Mr. Yih**”) and Ms. Karen Yifen CHANG (“**Ms. Chang**”). The annual remuneration was determined with reference to the experience of a director and his/her contribution brought to the Board and prevailing market rates.

Mr. Yih shall be entitled to receive a remuneration of HKD445,000 per annum as Independent Non-Executive Director during his three-year term of office effective from 11 December 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Ms. Chang shall be entitled to receive a remuneration of HKD445,000 per annum as Independent Non-Executive Director during her three-year term of office effective from 25 June 2023.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board Committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange and are available to Shareholders upon request. The majority of the members of the Audit Committee, Remuneration Committee and Nomination Committee are Independent Non-Executive Directors and the list of the chairman and members of each of the Audit Committee, Remuneration Committee and Nomination Committee is set out under "**Corporate Information**" on page 2.

The Company has also established an Environmental Social and Governance ("**ESG**") Management 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 Stock Exchange and other applicable rules. The ESG Committee is a three level governance structure with clearly assigned duties to assist the Board in managing the ESG risks. The Board is the highest body responsible for leading and monitoring the Company's ESG strategies and risks, approving ESG targets and reports, and regularly reviewing and constantly supervising the progress of ESG targets. The ESG Committee and the ESG Working Group are set under the Board. The ESG Committee is responsible for ESG implementation and reporting, as well as overseeing the specific delivery from the 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 2023, 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 14 November 2023, no dividend for the six months ended 30 September 2023 has been declared (for the six months ended 30 September 2022: 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.

SHARE SCHEMES

(1) Share Option Scheme

At the extraordinary general meeting of the Company held on 16 August 2023 (the “**Adoption Date**”), the Shareholders approved the adoption of the share option scheme (the “**Share Option Scheme**”).

Purposes

The purposes of the Share Option Scheme are (i) to recognise the contribution and potential future contribution of the grantees and to align their interests with those of the Company and the Shareholders as a whole; (ii) to motivate the grantees and give them additional incentives to optimise their valuable contributions to the continued growth and success of the Group; and (iii) to attract and retain high-calibre personnel to strive for the long term development of the Group.

Period of the Share Option Scheme

Subject to the terms and conditions of the Share Option Scheme and the Listing Rules, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date. The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme. In such events, no further options will be offered or granted, but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect in respect of options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the Share Option Scheme.

Eligibility of participants

The eligible participants under the Share Option Scheme shall include any employees of the Group, Directors or other directors of a subsidiary (excluding participants of the ETBS), and persons who are expected to become employees of the Group, Directors or other directors of a subsidiary (excluding participants of the ETBS) as an inducement to enter into employment or service contracts with the Group (but effective no earlier than the date on which such individual begins to provide services to the Group).

Exercise period

The exercise period of share options granted under the Share Option Scheme was determined by the Board at its absolute discretion, and is valid for 10 years from the date of grant unless lapsed pursuant to the terms of the Share Option Scheme and may be exercisable during such period provided that the options are vested.

Exercise Price

The exercise price for shares under the Share Option Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of: (a) the closing price of the shares of the Company (the “**Shares**”) as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant, which must be a business day; and (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Maximum number of Shares available for subscription

The maximum number of Shares which may be issued in respect of all options to be granted under the Share Option Scheme and any other share scheme(s) will not exceed 953,970,470, being 10% of the total number of Shares in issue of the Company on the Adoption Date.

The total number of Shares issued and to be issued in respect of all options and awards granted to each grantee under the Share Option Scheme and any other share scheme(s) (excluding options and awards that have been lapsed in accordance with the Share Option Scheme and any other share scheme(s)) in any 12-month period up to and including the date of such grant shall not in aggregate exceed 1% of the Shares in issue at the date of grant.

Where any grant of options to any Independent Non-Executive Director or a substantial Shareholder of the Company, or any of their respective associates would result in the aggregated amount of the Shares issued and to be issued in respect of all options and awards granted (excluding options and award Shares that have been lapsed in accordance with the Share Option Scheme or any other share scheme(s)) to such person in the 12-month period up to and including the date of such grant to be over 0.1% of the Shares in issue, such grant of options must be approved by Shareholders in general meeting.

Grant of options

The Board may grant options in respect of which the exercise price is fixed at different prices for different periods during the exercise period. An offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a remittance to the Company of HK\$1.00 as consideration by the grantee.

As at 30 September 2023, in accordance with the terms of the Share Option Scheme, the Company has granted a total of 60,000,000 options to three grantees at an exercise price at HK\$2.18.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Details of the options granted during the reporting period and/or outstanding as at 30 September 2023 under the Share Option Scheme are as below:

Name of grantees of options	Nature	Number of Shares represented by options outstanding		Date of grant/conditional grant	Granted during the reporting period		Vesting Period	Exercise Period	Performance targets	Exercise price (HK\$)	Options exercised during the reporting period	Options lapsed during the reporting period	Options cancelled during the reporting period	Number of Shares represented by Options outstanding as at 30 September 2023
		as at 1 April 2023			reporting period									
LIN Xiaohai (Executive Director and Chief Executive Officer)	Options	-		18 August 2023 ^(Note 1)	40,000,000		1 April 2025 and 1 April 2027 ^(Note 2)	Within ten years from 18 August 2023 ^(Note 2)	None	2.18	Nil	Nil	Nil	40,000,000
Directors of the subsidiaries of the Company	Options	-		18 August 2023 ^(Note 1)	20,000,000		1 April 2025 and 1 April 2027 ^(Note 2)	Within ten years from 18 August 2023 ^(Note 2)	None	2.18	Nil	Nil	Nil	20,000,000
Total	Options	-	-		60,000,000	-			-	-	-	-	-	60,000,000

Notes:

- The closing price per Share is HK\$2.09 as stated in the daily quotation sheets issued by the Stock Exchange on 17 August 2023, being the trading day immediately before the date of grant.
- The options granted shall vest in two equal tranches on 1 April 2025 and 1 April 2027, respectively. Subject to vesting, the options are exercisable within ten years from 18 August 2023.
- The fair value of the options granted during the six months ended 30 September 2023, please refer to Note 7(a) to the condensed consolidated financial information for the six months ended 30 September 2023.
- The number of options and awards available for grant under the scheme mandate of all schemes of the Company at (i) the beginning of the reporting period was 953,970,470 Shares; and (ii) the end of the Reporting Period was 893,970,470 Shares.
- The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the reporting period divided by the weighted average number of Shares of the relevant class in issue for the reporting period was 0.629%.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the reporting period,

- no participant has been granted with options and awards in excess of the 1% individual limit; and
- no grant of options or awards to any Independent Non-Executive Director or a substantial Shareholder of the Company, or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards granted (excluding options and award Shares that have been lapsed in accordance with the Share Option Scheme or any other share scheme(s)) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue.

(2) Employee Trust Benefit Schemes (“ETBS”) *(Note 1)*

The subsidiaries of the Company, Concord Investment (China) Limited (“**CIC**”, and together with its subsidiaries, the “**CIC Group**”), has established an employee trust benefit scheme for its employees (the “**RT-Mart Scheme**”) and, Auchan (China) Investment Co., Ltd. (“**ACI**”, and together with its subsidiaries, the “**ACI Group**”), a non wholly-owned subsidiary of Auchan (China) Hong Kong Limited, has established an employee trust benefit scheme for its employees (the “**Auchan Scheme**”). Under each ETBS, an annual profit sharing contribution from each of CIC and ACI is payable to a trust, which is calculated based on the consolidated results of each of CIC and ACI for the RT-Mart Scheme and the Auchan Scheme respectively, and the number of eligible employees, is payable to a trust (Note 2).

In addition to the annual profit-sharing contributions made by each of CIC and ACI (Note 3a and 3b), subject to certain conditions, eligible employees are entitled to acquire additional beneficial interests in the relevant Employee Trust Benefit Schemes, i.e. Trust Units using their own funds (“**Employee’s Contribution**”) (Note 3c).

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 (Note 4).

Calculated based on paid-in capital, as at 30 September 2023, approximately 1.38% of the equity interests in ACI and approximately 3.13% of the equity interests in CIC, were held by the respective trusts under the Auchan Scheme and the RT-Mart Scheme.

Details of the ETBS are set out in the note 7(a) to the condensed consolidated financial information.

Notes:

1. The Auchan Scheme and the RT-Mart Scheme are both share award schemes at the subsidiary level.

At the extraordinary general meeting of the Company held on 16 August 2023, the Shareholders approved the adoption of the proposed amendments to the Auchan Scheme and the RT-Mart Scheme and the total amount of capital which may be contributed by the trustee of the Auchan Scheme and the RT-Mart Scheme.

2. The Auchan Scheme and the RT-Mart Scheme are each implemented by way of a trust arrangement, whereby the trustee holds equity interest in the Auchan Scheme or the RT-Mart Scheme (as the case may be), on behalf of the respective employees being the beneficiaries of the respective trust. The trustee for the Auchan Scheme and the RT-Mart Scheme is Hwabao Trust Co., Ltd. (the “**Trustee**”), a company incorporated in the PRC and an independent third party of the Group.

Subject to the Listing Rules, the Auchan Scheme and the RT-Mart Scheme shall be subject to the administration of their respective management committees and independently of the Company. The composition of the management committees of both the Auchan Scheme and the RT-Mart Scheme are identical, which each consist of six executive-level employees of the Group and six employees’ representatives of each of the ACI Group and the CIC Group (as the case may be) who are elected by the employees, and the Company has no control over the management committees.

The management committees are mandated to exercise the following powers, among others, to (i) supervise how the trust manages its assets and determine the ratio of the Cash Portion (as defined below) to the Share Portion (as defined below) within its portfolio of trust assets; (ii) decide whether to dispose of the equity interest in ACI or CIC invested by the trust; and (iii) determine the timetable for employees to make elections whether to subscribe for and/or dispose of the Trust Units and the date which Trust Units transactions (i.e. subscription for and disposal of Trust Units) take place. Based on the composition of the management committees as outlined above, resolutions of the management committees could only be passed with the support of the majority of the members of the committees.

All units of beneficial rights in trust assets (including the Cash Portion (as defined below) and Share Portion (as defined below)) are held by the Trustee for the benefit of the holders of the Trust Units, who are employees of Group, in accordance with the rules of ETBS. As such, the trust assets are not assets of the Company and the Company is not entitled to use trust assets to offset any of the Company’s debts. The Company is also under no obligation to assume any debts of the trusts nor to repurchase Shares held by the Trustee.

CORPORATE GOVERNANCE AND OTHER INFORMATION

3.
 - a. For all employees who are eligible to participate in the ETBS (“**Selected Participants**” or “**General Employees**”), ACI Group and CIC Group will each make cash payments on behalf of the Selected Participants for their relevant employer’s contribution to the trust (the “**Employer’s Contribution**”).
 - b. For managerial employees with a rank of store manager or above (“**Managerial Employees**”), on top of the Employer’s Contribution, ACI Group and CIC Group will make further cash payment to the trust on behalf of Managerial Employees as retirement benefits (“**Retirement Saving Contribution**”) as additional incentive.
 - c. Trust Units are allocated to the employees based on the contributions made by ACI/CIC (for and on behalf of the employees) and the employees (who use their own fund) under the respective terms of the Auchan Scheme and the RT-Mart Scheme.
4. The Trustee manages the trust funds (which includes Employer’s Contribution, Employee’s Contribution and Retirement Saving Contribution) in the trust by using a portion of the funds to hold cash and invest in cash equivalents (the “**Cash Portion**”), and using the remaining portion of the funds to purchase equity interests (the “**Share Portion**”) in ACI or CIC, as the case may be, in accordance with the terms of the Auchan Scheme and the RT-Mart Scheme.

A summary of the principal terms of the Auchan Scheme and the RT-Mart Scheme is set out below.

The purposes of the Auchan Scheme and the RT-Mart Scheme are (i) to align the interests of the Eligible Participants (as defined below) with those of the Group and share the success and benefits of the growth in the businesses of the ACI Group and the CIC Group through ownership of the registered capital of ACI (the “**ACI Registered Capital**”) and the registered capital of CIC (the “**CIC Registered Capital**”) represented by holding the Trust Units, and/or the increase in value of the Trust Units/CIC Registered Capital or ACI Registered Capital (as the case may be); (ii) to encourage and retain Eligible Participants to make contributions to the long-term growth and profits of the Group; (iii) to recognise and reward the valuable past contribution by the Eligible Participants; and (iv) to retain experienced personnel.

Eligible Participants

All employees of the ACI Group who have been employed by the ACI Group for 6 months or more are eligible to participate in the Auchan Scheme while all employees of the CIC Group who have been employed by the CIC Group for 6 months or more (the “**Eligible Participants**”) are eligible to participate in the RT-Mart Scheme.

Maximum Amount of Capital can be Injected to ACI or CIC and Maximum Entitlement of each Participant

(a) *Scheme Mandate Limits*

The maximum amount of capital in ACI which may be injected by the Trustee in respect of the Auchan Scheme must not exceed 10% of the ACI Registered Capital as at the date of the Shareholders' approval of the limit.

The maximum amount of capital in CIC which may be injected by the Trustee in respect of the RT-Mart Scheme must not exceed 10% of the CIC Registered Capital as at the date of the Shareholders' approval of the limit.

Each of the ACI scheme mandate limit and CIC scheme mandate limit may be refreshed after three years from the Amendment Date or the date of approval of their last refreshment (as the case may be), subject to prior approval from the Shareholders. Any refreshment of any of the ACI scheme mandate limit and/or CIC scheme mandate limit within any three-year period must be approved by the independent Shareholders, with all the controlling Shareholders and their associates (or if there is no controlling Shareholder, Directors (excluding Independent Non-Executive Directors) and the chief executive of the Company and their respective associates) abstaining from voting in favour of the relevant resolution at the general meeting.

(b) *Individual Limit*

The maximum amount of Trust Units which may be granted to any one Selected Participant under the Auchan Scheme and the RT-Mart Scheme may not exceed 1% of the ACI Registered Capital or the CIC Registered Capital, taking into account of the Shares issued and to be issued in respect of all awards granted to such Selected Participant(s) under all share schemes adopted by the Company in respect of ACI or CIC, as the case may be (excluding any Trust Units lapsed or cancelled in accordance with terms of the ETBS) in the 12-month period up to and including the date of relevant grant (the "**Individual Limit**"), unless such grant is otherwise separately approved by the Shareholders in general meeting, with such Selected Participant(s) and his/her close associates (or associates if the Selected Participant is a connected person) abstaining from voting.

Where any grant of Trust Unit(s) to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, would result in the aggregated amount of the Shares issued and to be issued in respect of all Trust Units granted to such person under the Auchan Scheme or the RT-Mart Scheme and all other share award schemes (excluding any Trust Units lapsed or cancelled in accordance with the terms of the respective share schemes) in the 12-month period up to and including the date of such grant to be over 0.1% of the ACI Registered Capital and the CIC Registered Capital, such grant must be approved by the Shareholders in general meeting in the manner set out in Rule 17.04(4) of the Listing Rules. The Selected Participant(s), his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

(c) **Maximum Entitlement of Each Selected Participant**

The amount of Employer's Contributions to each of the Selected Participant is determined in accordance with the requirements under the Auchan Scheme and the RT-Mart Scheme, which takes into account the net profits after tax of ACI and CIC, respectively, and the aggregate amount of Employer's Contribution per annum shall not exceed 10% of the net profits after tax of ACI and CIC of the corresponding financial year, respectively. Any such amount granted to Selected Participants must be used to purchase the Trust Units under the respective Auchan Scheme and RT-Mart Scheme. The amount of Employee's Contribution is determined by the Selected Participant subject to a maximum cap of 30% of the relevant Selected Participant's total income of the relevant year. The aggregate amount of Retirement Saving Contribution per annum shall not exceed 4% of the net profits after tax of ACI and CIC of the corresponding financial year, respectively. The Trustee's maximum equity interest in respect of all contributions made in respect of all contributions shall be capped at 15% of the ACI Registered Capital or CIC Registered Capital (as the case may be).

Freeze Period (Employer's Contribution)

For General Employees, he or she may not dispose of the Trust Units funded by or acquired through the Employer's Contribution for a period of five (5) years from the date of grant (the "**Freeze Period**"), save for certain circumstances as prescribed in the terms of the Auchan Scheme and the RT-Mart Scheme (e.g. death or serious injury of employees). If a General Employee ends his or her employment relationship with the Group and therefore ceases to be an Eligible Participant, the Trust Units:–

- (i) will be disposed of at fair value at the next annual transaction window, if the Freeze Period has expired for the relevant Trust Units;
- (ii) will be disposed of at the original purchase price at the next annual transaction window, if the Freeze Period has not expired and the employee has held the relevant Trust Units for a year or more;
- (iii) will be disposed of at nil consideration at the next annual transaction window, being returned to the Trust which will then make them available for subscription by existing participants of the ETBS, if the Freeze Period has not expired and the employee has held the relevant Trust Units for less than a year.

Freeze Period (Employees' Contribution)

Trust Units are immediately vested on the date of grant. Trust Units acquired through Employee's Contribution is also not subject to any specific freeze period pursuant to the scheme rules. However, a Selected Participant may only dispose of his or her Trust Units held for not less than 12 months and at a time designated by the management committees of the ETBS.

Lock-up Period (Retirement Saving Contribution)

Managerial Employees are restricted from disposing of his or her Trust Units with respect to the portion of the Retirement Saving Contribution for a period of twenty-five (25) years (the “**Lock-up Period**”) from the date of grant unless he or she has attained the statutory retirement age and completed all necessary statutory procedures.

For Managerial Employees whose Trust Units are subject to the 25 years Lock-up Period and leave the ACI Group/the CIC Group before the expiry of 25 years Lock-up Period, their Trust Units with respect to the portion of the Retirement Saving Contribution will be forfeited and will form part of the pool of trust assets and shared by other holders of Trust Units. For the avoidance of doubt, once the Employer’s Contribution is made to the Auchan Scheme and RT-Mart Scheme, it becomes the trust assets of the ETBS and will not be refunded to any member of the Group under any circumstances.

Basis of Determining the Purchase Price of the Trust Units

The value of the Trust Units is assessed every year to determine the price of which the employees would subscribe for, or dispose of, the Trust Units. The value of the Share Portion of each Trust Unit is determined based on the business growth rate of ACI or CIC (as the case may be) by reference to the annual appraisal reports of ACI or CIC (as the case may be) which are prepared by an independent expert and are reviewed by another independent expert.

Life of the Auchan Scheme and RT-Mart Scheme

The Auchan Scheme and the RT-Mart Scheme shall be valid and effective for ten (10) years from the Amendment Date, after which period no further Trust Units shall be granted, but the provisions of the Auchan Scheme and the RT-Mart Scheme shall remain in full force and effect in order to give effect to the Trust Units granted and accepted prior to the expiration of the Auchan Scheme and the RT-Mart Scheme.

Grants of Trust Units pursuant to the Auchan Scheme and the RT-Mart Scheme

The tables below show details of the latest grant of Trust Units under each of the Auchan Scheme and the RT-Mart Scheme.

During the reporting period, no Trust Units have been granted under the Auchan Scheme and the RT-Mart Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Auchan Scheme

Name or category of grantees	Date of grant	Vesting period ⁽¹⁾	Purchase price of the Trust Units (RMB/Trust Unit)	Performance target	Fair value of the Trust Units on the date of grant ⁽²⁾ (RMB/Trust Unit)	Unvested Trust Units as at 1 April 2023 ⁽¹⁾	Trust Units which are subject to	Number of Trust Units granted during the reporting period ⁽¹⁾	Trust Units Vested during the reporting period ⁽¹⁾	Trust Units which cease to subject to	Trust Units Cancelled/ Forfeited/ Lapsed during the reporting period	Trusts Units which have been transferred to the settlor and subsequently extinguished	Unvested Trust Units as at 30 September 2023 ⁽¹⁾	Trust Units which are subject to Freeze
							Freeze Period/ Lock-Up			to subject to		Trusts Units which have been transferred to the settlor and subsequently extinguished		Lock-Up Period/
Other grantees - Employees for the Auchan Scheme in aggregate	25/9/2022	N/A (See disclosure on freeze period and lock-up period above)	RMB17.08 per Trust Unit	N/A	RMB17.08 per Trust Unit	N/A	2,682,395.13	0	N/A	10,691.66	74,659.38	149,006.11	N/A	2,448,037.98

Notes:

- (1) Please refer to the above disclosure in relation to vesting period, freeze period and lock-up period. The Auchan Scheme does not provide a vesting period.
- (2) The fair value of Trust Units is determined by reference to the annual appraisal reports of ACI which is prepared by an independent expert and be reviewed by another independent expert.
- (3) The maximum amount of capital in ACI which may be injected by the Trustee in respect of the Auchan Scheme under the scheme mandate at (i) the beginning of the reporting period was US\$37,136,793; and (ii) the end of the reporting period was US\$37,136,793.
- (4) The portion of both the Employer's Contribution (including Retirement Saving Contribution) and the Employee's Contribution which may contribute to a subsequent capital injection in ACI at the end of the reporting period under the Auchan Scheme divided by the weighted average amount of ACI Registered Capital was 0%.

RT-Mart Scheme

Name or category of grantees	Date of grant	Vesting period ⁽¹⁾	Purchase price of the Trust Units (RMB/Trust Unit)	Performance target	Fair value of the Trust Units on the date of grant ⁽²⁾ (RMB/Trust Unit)	Unvested Trust Units as at 1 April 2023 ⁽³⁾	Trust Units which are subject to Freeze Period/ Lock-Up as at 1 April 2023	Number of Trust Units granted during the reporting period ⁽¹⁾	Trust Units Vested during the reporting period ⁽¹⁾	Trust Units which cease to subject to Freeze Period/ Lock-Up during the reporting period	Trust Units Cancelled/ Forfeited/ Lapsed during the reporting period	Trusts Units which have been transferred to the settlor and subsequently extinguished	Unvested Trust Units as at 30 September 2023 ⁽¹⁾	Trust Units
														which are subject to Freeze Period/ Lock-Up as at 30 September 2023
Other grantees - Employees for the RT-Mart Scheme in aggregate	25/9/2022	N/A (See disclosure on freeze period and lock-up period above)	RMB243.53 per Trust Unit	N/A	RMB243.53 per Trust Unit	N/A	4,843,033	0	N/A	647,566.23	156,008	54,007	N/A	3,985,451.77

Notes:

- (1) Please refer to the above disclosure in relation to vesting period, freeze period and lock-up period. The RT-Mart Scheme does not provide a vesting period.
- (2) The fair value of Trust Units is determined by reference to the annual appraisal reports of CIC which is prepared by an independent expert and be reviewed by another independent expert.
- (3) The maximum amount of capital in CIC which may be injected by the Trustee in respect of the RT-Mart Scheme under the scheme mandate at (i) the beginning of the reporting period was US\$24,868,640; and (ii) the end of the reporting period was US\$24,868,640.
- (4) The portion of both the Employer’s Contribution (including Retirement Saving Contribution) and the Employee’s Contribution which may contribute to a subsequent capital injection in CIC at the end of the reporting period under the RT-Mart Scheme divided by the weighted average amount of CIC Registered Capital was 0%.

During the reporting period,

- no Trust Units have been granted under the Auchan Scheme and the RT-Mart Scheme;
- no participants have been granted with options and awards in excess of the 1% individual limit, and
- no grant of Trust Unit(s) to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates would result in the aggregated amount of Shares issued and to be issued in respect of all Trust Units granted to such person under the Auchan Scheme or the RT-Mart Scheme and all other share award schemes (excluding any Trust Units lapsed or cancelled in accordance with the terms of the respective share schemes) in the 12-month period up to and including the date of such grant represent over 0.1% of the ACI Registered Capital and the CIC Registered Capital.

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 2023, 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:

Positions in Shares and underlying Shares of the Company

Name of Director/chief executive	Nature of interest	Total interest in Shares ⁽¹⁾	Approximate percentage of the Company's Share capital ⁽⁵⁾
HUANG Ming-Tuan	Interest of spouse ⁽²⁾	68,334,202(L)	0.71%
LIN Xiaohai	Beneficial owner and Equity derivative interests ⁽³⁾	40,000,000(L) ⁽⁴⁾	0.42%

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) The equity derivatives were shares underlying the options granted in accordance with the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this report.
- (4) Subject to vesting, Mr. LIN Xiaohai is interested in 40,000,000 Shares underlying 40,000,000 options granted to him on 18 August 2023 in accordance with the Share Option Scheme. The option will be vested in two equal tranches on 1 April 2025 and 1 April 2027, and exercisable until 17 August 2033.
- (5) The Share capital of the Company as at 30 September 2023 was 9,539,704,700.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Positions in shares and underlying shares of Alibaba Group⁽¹⁾, an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director/chief executive	Nature of interest	Number of shares/ underlying shares held ⁽²⁾	Approximate percentage of the issued share of associated corporation ⁽⁶⁾
LIN Xiaohai	Beneficial owner	511,008(L) ⁽³⁾	0.00%
HAN Liu	Beneficial owner	179,616(L) ⁽⁴⁾	0.00%
LIU Peng	Beneficial owner	338,200(L) ⁽⁵⁾	0.00%
Charles Sheung Wai CHAN	Beneficial owner	13,128(L)	0.00%

Notes:

- (1) Alibaba Group is a company incorporated in the Cayman Islands with its American depositary shares (“**ADS**”), 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, 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.
- (2) The letter “L” denotes the person’s long position in the shares.
- (3) Mr. LIN Xiaohai beneficially held 316,008 ordinary shares and subject to vesting, is interested in 195,000 ordinary shares underlying 24,375 Restricted Share Units (“**RSU**”) granted to him in accordance with the share award scheme.
- (4) Mr. HAN Liu beneficially held 99,616 ordinary shares and subject to vesting, is interested in 80,000 ordinary shares underlying 10,000 RSU granted to him in accordance with the share award scheme.
- (5) Subjected to vesting, Mr. LIU Peng is interested in 338,200 ordinary shares underlying 42,275 RSU granted to him in accordance with the share award scheme.
- (6) The share capital of Alibaba Group as at 30 September 2023 was 20,274,382,712.

Save as disclosed above, so far as known to any Directors, as of 30 September 2023, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

As at 30 September 2023:

- (a) Mr. HAN Liu was the senior vice president of Ele.me and the president of Fengniao Logistic (蜂鳥即配) of Alibaba Group.
- (b) Mr. LIU Peng was president of Brand Development Centre of Taobao and Tmall Group of Alibaba Group and a director in certain companies within the Alibaba Group.

Save as disclosed above, as at 30 September 2023, 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.

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 2023, 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%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of substantial shareholder	Nature of interest	Number and class of shares ⁽¹⁾	Approximate percentage of shareholding
Alibaba Investment Limited ⁽⁵⁾	Interest in a controlled corporation	480,369,231(L) ⁽⁶⁾	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 2023, 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 ADS 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 2023, the Directors of the Company are not aware of any other person or corporation having an interest or short position in the 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 32 to 64, 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 2023 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 material accounting policy information 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, 14 November 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	Unaudited Six months ended 30 September	
		2023 RMB million	2022 RMB million
Revenue	6	35,768	40,611
Cost		(26,879)	(30,499)
Gross profit		8,889	10,112
Selling and marketing expenses		(8,718)	(9,378)
Administrative expenses		(898)	(1,036)
Other income and other gains, net	8	746	802
Operating profit		19	500
Finance costs	9	(213)	(234)
Share of net loss of associates and joint ventures accounted for using the equity method		–	(1)
(Loss)/profit before income tax		(194)	265
Income tax expense	10	(184)	(352)
Loss for the period		(378)	(87)
Other comprehensive income for the period		–	–
Total comprehensive loss for the period		(378)	(87)
Loss is attributable to:			
Owners of the Company		(359)	(69)
Non-controlling interests		(19)	(18)
Loss for the period		(378)	(87)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Unaudited	
		Six months ended 30 September	
	<i>Notes</i>	2023	2022
		RMB million	<i>RMB million</i>
<hr/>			
Total comprehensive loss attributable to:			
Owners of the Company		(359)	(69)
Non-controlling interests		(19)	(18)
<hr/>			
Total comprehensive loss for the period		(378)	(87)
<hr/>			
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share	<i>11</i>	RMB(0.04)	RMB(0.01)
<hr/>			

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 2023

	Notes	30 September 2023 RMB million (Unaudited)	31 March 2023 RMB million
ASSETS			
Non-current assets			
Investment properties	13	5,508	5,676
Other property, plant and equipment	13	22,124	22,749
Intangible assets	14	51	43
Goodwill		140	140
Deferred tax assets		1,382	1,470
Time deposits	18	1,250	950
Trade and other receivables	15	26	9
Total non-current assets		30,481	31,037
Current assets			
Inventories		8,716	8,474
Trade and other receivables	15	2,304	3,064
Time deposits	18	1,590	2,319
Financial assets at fair value through profit or loss ("Financial assets at FVPL")	16	4,424	4,452
Restricted deposits	17(b)	2,929	2,364
Cash and cash equivalents	17(a)	14,809	12,408
Total current assets		34,772	33,081
Total assets		65,253	64,118
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	28	28
Lease liabilities	19	5,842	5,469
Deferred tax liabilities		437	443
Total non-current liabilities		6,307	5,940
Current liabilities			
Trade and other payables	20	19,625	18,794
Borrowings	21	1,172	673
Contract liabilities	22	13,178	12,715
Current tax liabilities		116	229
Lease liabilities	19	1,442	1,570
Total current liabilities		35,533	33,981
Total liabilities		41,840	39,921
Net assets		23,413	24,197

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	30 September 2023 RMB million (Unaudited)	31 March 2023 RMB million
EQUITY			
Share capital	23	10,020	10,020
Reserves		12,748	13,498
Capital and reserves attributable to the owners of the Company		22,768	23,518
Non-controlling interests		645	679
Total equity		23,413	24,197

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

The condensed consolidated financial statements on pages 32 to 64 were approved by the Board of Directors on 14 November 2023 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 2023

Attributable to owners of the Company											
	Share capital	Capital reserve	Share-based payments reserve	Exchange reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity		
Notes	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 April 2023	10,020	1,244	-	45	2,382	9,827	23,518	679	24,197		
Comprehensive loss	-	-	-	-	-	(359)	(359)	(19)	(378)		
Loss for the period											
Total comprehensive loss	-	-	-	-	-	(359)	(359)	(19)	(378)		
Transactions with owners in their capacity as owners											
Employee share incentive schemes:											
7(a)(i)											
- Share-based payments related to the options granted by the Group	-	-	2	-	-	-	2	-	2		
- Share-based payments related to the award granted by Alibaba Group Holding Limited and its subsidiaries excluding the Group (together, "Alibaba Group")	-	-	8	-	-	-	8	-	8		
Dividend provided for or paid	-	-	-	-	-	(401)	(401)	(15)	(416)		
12											
Total transactions with owners in their capacity as owners	-	-	10	-	-	(401)	(391)	(15)	(406)		
Balance at 30 September 2023 (Unaudited)	10,020	1,244	10	45	2,382	9,067	22,768	645	23,413		

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 2023

	Notes	Unaudited Six months ended 30 September	
		2023 RMB million	2022 RMB million
Cash flows from operating activities			
Cash generated from operations		3,016	3,625
Income taxes paid		(215)	(498)
Net cash inflow from operating activities		2,801	3,127
Cash flows from investing activities			
Proceeds from sale of investment properties and other property, plant and equipment		28	18
Proceeds from redemption of time deposits with maturity over three months		2,000	705
Proceeds from redemption of financial assets at FVPL		5,171	9,785
Interest received		236	217
Payment for investment properties and other property, plant and equipment		(513)	(588)
Payment for intangible assets	14	(11)	(8)
Payment for the purchase of time deposits with maturity over three months		(1,568)	(505)
Payment for financial assets at FVPL		(5,080)	(8,680)
Net cash inflow from investing activities		263	944
Cash flows from financing activities			
Proceeds from borrowings		494	–
Cash injection from non-controlling interests		10	–
Principal element of lease rentals paid		(432)	(453)
Interest element of lease rentals paid	9	(207)	(233)
Cash prepaid for acquisition of non-controlling interests	25(c)	(97)	(108)
Repayment of interests		(1)	(1)
Dividends paid to Company's shareholders	12	(401)	(369)
Dividends paid to non-controlling interests in subsidiaries		(29)	(23)
Net cash outflow from financing activities		(663)	(1,187)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		12,408	11,294
Effects of exchange rate changes on cash and cash equivalents		–	–
Cash and cash equivalents at end of the period	17(a)	14,809	14,178

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, 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 2023 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 2023 and any public announcements made by the Company during the interim reporting period.

The financial information relating to the year ended 31 March 2023 that is included in the condensed consolidated interim financial information for the six months ended 30 September 2023 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 2023 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 2023

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 MATERIAL 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 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 the effective date on 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 condensed consolidated statement of financial position. Applying the amendments mentioned above, there was nil impact on the opening balance of retained earnings for the reporting periods presented.

The adoption of the other new standard and amendments did not have any significant financial impact on these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

3 MATERIAL 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 2023 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
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
HK Interpretation 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
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 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

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 2023 (Unaudited)

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
Financial assets:				
– Financial assets at FVPL	–	2,106	2,318	4,424

Recurring fair value measurements at 31 March 2023

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
Financial assets:				
– Financial assets at FVPL	–	1,925	2,527	4,452

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 2023

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 2023.

Balance at 1 April 2023	2,527
Purchase	2,780
Redemption	(3,023)
Gain recognised in profit or loss*	34
Balance at 30 September 2023 (Unaudited)	2,318

* includes unrealised gains recognised in profit or loss attributable to balances held at the period end

8

There were no transfers between the levels of the fair value hierarchy in the six months ended 30 September 2023. There were also no changes made to any of the valuation techniques applied as of 31 March 2023.

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 2023 (Unaudited)	Valuation technique	Unobservable input	Range/ (weighted average)	Relationship of unobservable input to fair value
Financial assets at FVPL	2,318	Income approach	Rate of return	0.50%-3.20%/ (1.55%)	The higher the rate of return, the higher the fair value

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

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 30 September 2023 (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	16,806	–	–	28	16,834	16,834
Borrowings (Note 21)	1,180	–	–	–	1,180	1,172
Lease liabilities (Note 19)	1,811	1,641	2,742	2,911	9,105	7,284
Total non-derivatives	19,797	1,641	2,742	2,939	27,119	25,290

Contractual maturities of financial liabilities At 31 March 2023	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	16,138	–	–	28	16,166	16,166
Borrowings (Note 21)	680	–	–	–	680	673
Lease liabilities (Note 19)	1,950	1,528	2,571	2,894	8,943	7,039
Total non-derivatives	18,768	1,528	2,571	2,922	25,789	23,878

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

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

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

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Revenue from contracts with customers – sales of goods – recognised at a point in time	34,225	39,084
Revenue from other sources – rental income from tenants	1,543	1,527
Total revenue	35,768	40,611

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

7 DETAIL OF COST OF SALES AND EXPENSES

(a) Employee benefit expense

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Salaries, wages and other benefits	4,119	4,518
Contributions to defined contribution retirement plans	505	526
Share-based compensation expenses (i)	10	–
Expenses related to Employee Trust Benefit Schemes (ii)	–	–
	4,634	5,044

(i) Share-based compensation expenses

(i) 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.

Share options granted will expire in 10 years from the grant date. The share options shall vest in two equal tranches on 1 April 2025 and 1 April 2027, 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.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options (thousand)	Weighted average exercise price per share option HKD
Outstanding as at 1 April 2023	–	–
Granted during the period	60,000	2.18
Outstanding as at 30 September 2023	60,000	2.18
Vested and exercisable at 30 September 2023	–	N/A

7 DETAIL OF COST OF SALES AND EXPENSES (CONTINUED)

(a) Employee benefit expense (Continued)

(i) Share-based compensation expenses (Continued)

(i) Share options (Continued)

The weighted average remaining contractual life of outstanding share options was 9.89 years as at 30 September 2023.

Fair value of share options

The assessed fair value at grant date of options granted during the six months ended 30 September 2023 was RMB0.70 per option. The Group had used Black-Scholes model to determine the fair value of the share options as at the grant date. Key assumptions are set as below:

	Six months ended 30 September 2023 (Unaudited)
Exercise price (HKD)	2.18
Expected volatility	46.06%
Expected term (years)	6.31
Risk-free interest rate	3.89%
Dividend yield	2.38%

(ii) Share-based payments plans of Alibaba Group

Alibaba Group operates a number of share-based payments plans (including share options and restricted share units) covering certain employees of the Group. For the six months ended 30 September 2023, the Group recognised total expenses of RMB8 million in respect of the share-based payments plans of Alibaba Group (for the six months ended 30 September 2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

7 DETAIL OF COST OF SALES AND EXPENSES (CONTINUED)

(a) Employee benefit expense (Continued)

(i) Share-based compensation expenses (Continued)

(iii) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the six months ended 30 September 2023 and 2022 as part of employee benefit expenses were as follows:

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Share options granted by the Company	2	–
Share-based payments plans of Alibaba Group	8	–
	10	–

(ii) Expenses related to Employee Trust Benefit Schemes

The Group has established an Employee Trust Benefit Scheme for employees of its subsidiary, Concord Investment (China) Limited (“**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.

No expenses related to Employee Trust Benefit Schemes was recognised for the six months ended 30 September 2023 (for the six months ended 30 September 2022: nil).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

7 DETAIL OF COST OF SALES AND EXPENSES (CONTINUED)

(a) Employee benefit expense (Continued)

- (ii) Expenses related to Employee Trust Benefit Schemes (Continued)
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.

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Cost of sales	26,836	30,463
Depreciation cost of investment properties and other property, plant and equipment	1,753	1,786
Operating lease charges	427	497
Impairment losses (Note 13(c))	146	142
Amortisation cost of intangible assets (Note 14)	3	3
Reversal of allowance related to trade receivables and other debtors	(62)	(35)

8 OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Interest income on financial assets measured at amortised cost	246	204
Miscellaneous income	236	259
Government grants	124	148
Gain on financial assets measured at FVPL	63	94
Disposal of packaging material	50	74
Net gain on disposal and reassessment of investment properties and other property, plant and equipment	27	23
	746	802

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

9 FINANCE COSTS

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Interest expenses on lease liabilities	207	233
Interest expenses on borrowings	5	–
Interest expenses on other financial liabilities	1	1
	213	234

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	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
<i>Current tax-Hong Kong profits tax</i>		
Current tax on profits for the period(a)	23	19
<i>Current tax-PRC income tax</i>		
Current tax on profits for the period	98	286
Adjustments for current tax of prior periods	(19)	43
Total current tax expense	102	348
<i>Deferred income tax</i>		
Decrease in deferred tax assets	88	25
Decrease in deferred tax liabilities	(6)	(21)
Total deferred tax benefit	82	4
Income tax expense	184	352

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 2023 (for the six months ended 30 September 2022: 25%) under the Enterprise Income Tax law (“**EIT law**”).

Pursuant to the relevant regulations in respect of Announcement on Implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Businesses (Cai Shui [2021] No.12, Cai Shui [2023] No.6) and Announcement on Further Implementing Preferential Income Tax Policy for Small and Micro Enterprises (Cai Shui [2022] No.13, 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 35% of PRC subsidiaries of the Group enjoyed this preferential income tax treatment during the 2022 annual tax filing (during the 2021 annual tax filing: approximately 46%).

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 six months ended 30 September 2023 (for the six months ended 30 September 2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

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 2023 and 2022, no deferred tax expenses 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 2023, no deferred tax liabilities were provided on post-2007 undistributed profits of the Group’s PRC subsidiaries amounted to RMB7,852 million for which the Group has no plan to distribute them outside the PRC in the foreseeable future (31 March 2023: RMB8,223 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 2023

11 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB359 million (six months ended 30 September 2022: loss attributable to owners of the Company of RMB69 million) and the weighted average of 9,539,704,700 ordinary shares (six months ended 30 September 2022: 9,539,704,700 ordinary shares) in issue during the interim period.

During the six months ended 30 September 2023, the share options granted by the Company have potential dilutive effect on the loss per share (six months ended 30 September 2022: nil). As the exercise price of the share options is higher than the average price of the ordinary shares for the period, the share options are not included in the calculation of diluted loss per share. The diluted loss per share is equivalent to basic loss per share during the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Loss attributable to owners of the Company	(359)	(69)
Weighted average number of ordinary shares in issue	9,539,704,700	9,539,704,700
Basic loss per share (expressed in RMB per share)	(0.04)	(0.01)

12 DIVIDENDS

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Dividends provided for or paid to Company's shareholders	401	377

No interim dividend has been declared in respect of the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) *Right-of-use assets*

During the six months ended 30 September 2023, the Group recognised the additions to right-of-use assets of RMB787 million (six months ended 30 September 2022: RMB555 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 2023, it is estimated that an increase/decrease in sales generated from these retail stores by 5% would have increased/decreased the lease payments by RMB17 million (31 March 2023: RMB33 million).

(b) *Acquisitions and disposals*

During the six months ended 30 September 2023, the Group incurred capital expenditure of RMB440 million (six months ended 30 September 2022: RMB258 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 RMB57 million were disposed during the six months ended 30 September 2023 (six months ended 30 September 2022: RMB55 million), resulting in a loss on disposal of RMB29 million (six months ended 30 September 2022: RMB25 million).

(c) *Impairment provision*

For the six months period ended 30 September 2023, 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 RMB146 million (six months ended 30 September 2022: RMB142 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 2023

14 INTANGIBLE ASSETS

	Software
	<i>RMB million</i>
At 31 March 2023	
Cost	247
Accumulated amortisation and impairment	(204)
Net book amount	<u>43</u>
Six months ended 30 September 2023	
Opening net book amount	43
Additions	11
Amortisation charge (Note 7(b))	(3)
Closing net book amount	<u>51</u>
At 30 September 2023 (Unaudited)	
Cost	258
Accumulated amortisation and impairment	(207)
Net book amount	<u>51</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

15 TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Trade receivables		
Amounts due from third parties	559	709
Amounts due from related parties (Note 25(d))	437	900
Less: provision for impairment	(217)	(304)
Subtotal	779	1,305
Other receivables		
Rental prepayments	459	675
Value-added tax receivables	358	430
Amounts due from related parties (Note 25(d))	97	10
Other debtors	755	757
Less: provision for impairment	(118)	(104)
Subtotal	1,551	1,768
Total trade and other receivables	2,330	3,073
Less: non-current portion	(26)	(9)
Current portion	2,304	3,064

- (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 mainly within three months. The ageing of trade receivables is determined based on invoice date. All of the Group's trade receivables were denominated in RMB.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

16 FINANCIAL ASSETS AT FVPL

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Structured deposits	3,992	3,514
Certificates of deposit (i)	432	938
	4,424	4,452

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

17 CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

(a) Cash and cash equivalents

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Cash at bank and in hand	13,776	11,040
Deposits with banks within three months of maturity	839	1,237
Other financial assets and cash equivalents	194	131
	14,809	12,408

(b) Restricted deposits

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Restricted deposits in bank	2,929	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

18 TIME DEPOSITS

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Included in non-current assets:		
RMB time deposits	1,250	950
Included in current assets:		
RMB time deposits	1,590	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 30 September 2023 and 31 March 2023, the carrying amounts of the time deposits with initial terms of over three months approximated their fair values.

19 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 2023		As at 31 March 2023	
	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	1,442	1,811	1,570	1,950
1-2 years	1,347	1,641	1,218	1,528
2-5 years	2,163	2,742	1,962	2,571
Over 5 years	2,332	2,911	2,289	2,894
	5,842	7,294	5,469	6,993
	7,284	9,105	7,039	8,943
Less: Total future interest expenses	–	(1,821)	–	(1,904)
Present value of lease liabilities	7,284	7,284	7,039	7,039

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

20 TRADE AND OTHER PAYABLES

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Current liabilities		
Trade payables	12,797	11,478
Construction costs payable	759	835
Amounts due to related parties (Note 25(d))	672	1,173
Dividends payable to non-controlling interests	11	11
Accruals and other payables	5,386	5,297
	19,625	18,794
Non-current liabilities		
Other financial liabilities	28	28

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

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Within six months	11,025	9,740
Over six months	1,772	1,738
	12,797	11,478

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 2023

21 BORROWINGS

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Current liabilities		
Bank borrowings, unsecured – maturity amount	1,180	680
Less: unamortised discount	(8)	(7)
	1,172	673

- (a) The carrying amount of short-term borrowings approximated its fair value and was denominated in RMB.
- (b) As at 30 September 2023, the effective interest rates per annum on borrowings was 1.87% (31 March 2023: 1.55%).
- (c) As at 30 September 2023 and 31 March 2023, the Group's borrowings were repayable within one year.

22 CONTRACT LIABILITIES

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Prepaid cards	12,712	12,223
Advance receipts from customers for sales	250	348
Customer loyalty program points liability	216	144
	13,178	12,715

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

23 SHARE CAPITAL

	As at 30 September 2023		As at 31 March 2023	
	RMB million		RMB million	
	(Unaudited)	(Unaudited)		
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.

24 COMMITMENTS

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

	As at 30 September 2023	As at 31 March 2023
	RMB million	RMB million
	(Unaudited)	
Contracted for	695	564
Authorised but not contracted for	1,093	1,477
	1,788	2,041

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

25 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 2023 and 2022, 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 and its associates and JVs	Ultimate holding company, its subsidiaries, associates and joint ventures (“ JVs ”)
Hwabao Trust Co., Ltd. (“ Hwabao ”)	Trustee of RT-Mart Scheme and Auchan Scheme trusts

(b) Key management compensation

The compensation paid or payable to key management for employee services is shown as below:

	Six months ended 30 September	
	2023 <i>RMB million</i> (Unaudited)	2022 <i>RMB million</i> (Unaudited)
Short-term employee benefits	19	30
Post-employment benefits	–	–
Share-based payments	5	–
	24	30

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

25 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 2023 and 2022.

	Six months ended 30 September	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited)
Sales of goods (i)	254	1,476
Commission income (ii)	90	111
Other miscellaneous income (iii)	30	220
Purchase of goods (iv)	50	86
Other expenses paid for business cooperation (v)	959	1,017
Receiving logistic service	19	—*
Receiving technical service	16	16
Prepayment for acquisition of non-controlling interests (vi)	97	108
Purchase of fixed assets (vii)	17	4
Addition in right-of-use assets on new leases	34	—
Interest on lease liabilities	—*	—
Sales of fixed assets	—	5

- (i) Sales of goods represents sales of merchandise to Alibaba Group and its associates and JVs.
- (ii) Commission income represents the income from Alibaba Group and its associates and JVs.
- (iii) Other miscellaneous income represents fees received from Alibaba Group and its associates and JVs relates to marketing and other services.
- (iv) Purchase of goods represents purchase of merchandise from Alibaba Group and its associates and JVs.
- (v) Other expense represents expenses paid to Alibaba Group and its associates and JVs in respect of the services provided under the respective business cooperation agreements.
- (vi) Prepayment for acquisition of non-controlling interests held by Hwabao.
- (vii) Purchase of fixed assets represents purchase of equipment from Alibaba Group and its associates and JVs.

* The amount is less than a million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2023

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Related party balances

	As at 30 September 2023 RMB million (Unaudited)	As at 31 March 2023 RMB million
Amounts due from Alibaba Group and its associates and JVs	437	900
Amounts due from Hwabao (i)	97	10
Amounts due to Hwabao (ii)	–	(14)
Amounts due to Alibaba Group and its associates and JVs	(672)	(1,159)
Lease liabilities	(33)	–

- (i) As of 30 September 2023, the amount of RMB97 million represents the prepayment for acquisition of non-controlling interests held by Hwabao. As of 31 March 2023, the amount of RMB10 million represents the receivable of capital injection from Hwabao (Note 15), which was collected during the six months period ended 30 September 2023.
- (ii) As of 31 March 2023, the amount of RMB14 million represents the dividends payable to Hwabao.

26 CONTINGENCIES

As at 30 September 2023, 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 RMB543 million (31 March 2023: RMB551 million). As at 30 September 2023, those legal actions are still ongoing, with most of the cases not yet set for trial dates. Provision of RMB176 million (31 March 2023: RMB236 million) was made within trade and other payables as at 30 September 2023, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

27 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no material subsequent events from 30 September 2023 to the approval date of the interim financial information by the Board of Directors on 14 November 2023.

28 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.