

Sun Art Retail Group Ltd.

(Incorporated in Hong Kong with limited liability)

Stock Code: 6808

Sell more and more high-quality products to more and more customers at lower and lower prices

Fresh • Convenient • Comfortable • Affordable • Community Center



Interim Report 2024

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CORPORATE INFORMATION

DIRECTORS

Executive Director

SHEN Hui (*Chief Executive Officer*)

Non-Executive Directors

HUANG Ming-Tuan (*Chairman*)

HAN Liu

QIN Yuehong

Independent Non-Executive Directors

Karen Yifen CHANG

Dieter YIH

Charles Sheung Wai CHAN

AUDIT COMMITTEE

Charles Sheung Wai CHAN (*Chairman*)

Karen Yifen CHANG

Dieter YIH

QIN Yuehong (*appointed on 9 August 2024*)

REMUNERATION COMMITTEE

Karen Yifen CHANG (*Chairman*)

Dieter YIH

Charles Sheung Wai CHAN

HUANG Ming-Tuan

QIN Yuehong (*appointed on 9 August 2024*)

NOMINATION COMMITTEE

Dieter YIH (*Chairman*)

Karen Yifen CHANG

Charles Sheung Wai CHAN

HUANG Ming-Tuan

QIN Yuehong (*appointed on 9 August 2024*)

COMPANY SECRETARY

HO Hang Yu Helen

AUTHORISED REPRESENTATIVES

SHEN Hui

HO Hang Yu Helen

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AUDITORS

PricewaterhouseCoopers

Certified Public Accountants and

Registered PIE Auditor

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Central

Hong Kong

COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

HIGHLIGHTS OF INTERIM RESULTS

	For the six months ended 30 September		
	2024 (Unaudited) RMB million	2023 (Unaudited) RMB million	Change
Revenue	34,708	35,768	(3.0)%
Gross Profit	8,526	8,889	(4.1)%
Profit from Operations	621	19	3,168.4%
Profit/(Loss) for the Period	186	(378)	149.2%
Profit/(Loss) Attributable to Owners of the Company	206	(359)	157.4%
Earnings/(Loss) Per Share – Basic and diluted ⁽¹⁾	RMB0.02	RMB(0.04)	
	30 September 2024 (Unaudited) RMB million	31 March 2024 (Audited) RMB million	Change
Total Assets	62,001	60,715	2.1%
Total Liabilities	40,203	38,921	3.3%
Net Assets	21,798	21,794	0.0%
Net Cash Position ⁽²⁾	14,635	16,504	(11.3)%

Notes:

- (1) As the exercise price of the share option is higher than the average price of the ordinary shares for the period, the share options are not included in the calculation of diluted earnings/(loss) per share. The calculation of basic and diluted earnings/(loss) per share for the six months ended 30 September 2024 and 2023 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the periods.
- (2) The balance of net cash position is calculated as the sum of cash and cash equivalents, financial assets measured at fair value through profit or loss, time deposits and the aforementioned portions in assets classified as held for sale minus maturity amount of bank loans.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Environment

In the first three calendar quarters of 2024, China's gross domestic product (“GDP”) grew by 4.8% year-on-year to about RMB94,974.6 billion. In terms of the growth rate per calendar quarter, the year-on-year growth rate was 5.3% in the first quarter, 4.7% in the second quarter and 4.6% in the third quarter.

In the first three calendar quarters of 2024, the overall consumer price index (“CPI”) increased by 0.3% compared to the same period last year, and the food CPI decreased by 1.2%, of which the pork CPI increased by 5.8% year-on-year. In April 2024, the pork CPI increased by 1.4% compared to the same period last year and the growth rate continued to expand in June and July, reaching 18.1% and 20.4% respectively. In August and September, the growth rate fell back to 16.1% and 16.2%.

In the first three calendar quarters of 2024, China's total retail sales of consumer goods amounted to RMB35,356.4 billion, representing a year-on-year increase of 3.3%. Divided by consumption types, the retail sales of commodities reached RMB31,414.9 billion, representing a year-on-year increase of 3.0%, and catering revenue reached RMB3,941.5 billion, representing a year-on-year increase of 6.2%. The national online retail sales amounted to RMB10,892.8 billion for the first three calendar quarters of 2024, representing a year-on-year increase of 8.6%. The online retail sales of physical goods reached RMB9,072.1 billion, representing a year-on-year increase of 7.9% and accounting for 25.7% of the total retail sales of social consumer goods.

BUSINESS PERFORMANCE

Return to price competitiveness and product power

The Group has actively reshaped its price competitiveness, and quickly adjusting the selection of products in different price quartiles to strengthen its bastion products. The Group recently launched the “Super Saver” series (「超省」系列). It was developed specifically by the private label team to meet customers' needs while benchmarking competitors' lowest-priced products in each category. In addition, the Group also introduced more than 1,100 SKUs across several series such as “Must-Buy”(「必買」系列), “Bonus Pack”(「加量不加價」系列), and “Every Day Low Price”(「天天便宜」系列) to establish a reputation for low prices and shape customer pricing perceptions. The Group also focused on developing more series of products with sales exceeding one hundred million.

The Group focused on offline traffic growth. With the Group's steady implementation of its low-price and product strategies in the first half of the fiscal year, offline traffic of comparable stores gradually stabilised, with stable ticket size, and a slight increase in average number of items purchased per order.

Through continuous optimisation of product structure and improvements in price competitiveness within its B2C online business, the increase in average number of items purchased per order led to a high-single-digit growth in ticket size. The Group also actively developed new online channels, achieving a mid-single-digit growth in the same store sales of B2C online business during the first half of the fiscal year.

RT-Super

During the reporting period, RT-Super (“**Superstore**”) operated 30 stores across Shanghai, Jiangsu, Anhui, Zhejiang, Shandong, Jilin, Hubei, Gansu, Sichuan, and Guangdong. Leveraging product resources and improving operational standardisation in hypermarkets, the performance of superstores significantly improved, resulting in a mid-to-high-single-digit same store sales growth and the feasible business model.

RT-Super utilised the supply chain resources of hypermarkets and selected products from their product pool, with SKUs ranging from 5,000 to approximately 8,000 to cover RT-Super sales areas from 1,500 square meters to over 3,000 square meters respectively. RT-Super introduced a series of products such as “Super Saver”, “Every Day Low Price”, “Bonus Pack” and “Must-Buy” offering more than a thousand long-term low-price products. Additionally, RT-Super actively developed “Community Canteen” to provide affordable fast food for community residents, which has become a key business feature.

RT-Super has adopted ultimate efficiency as its core strategy and has achieved standardisation in store expansion, products, labor and operation. RT-Super will become a significant driving force for the Group’s future expansion, and also presents an opportunity for the Group to return to top-tier cities. Its proactive active and rapid expansion will serve as the second growth curve to Sun Art Retail.

M-Club

During the reporting period, the Group has opened six stores in Yangzhou, Changzhou, Nanjing, Changshu, Jiaxing and Wuxi. The Jiangyin store has also opened in November 2024. The total number of M-Club members has exceeded 360,000.

M-Club offers over 4,000 SKUs from nearly 30 countries and regions, launching more than 200 new products each month. The private label products contributed over 30% of total sales. M-Club has recently launched “Global Buy” service, covering approximately 600 SKUs in categories such as beauty and skincare, personal care, baby care, and health supplements. Members can place orders online with shipments dispatch directly from cross-border warehouses to all regions of the country. M-Club also provided home delivery service with the fastest delivery within one hour. There remains potential for increasing the proportion of online orders. Half-day delivery is now available in Yangzhou and Changzhou. M-Club always adheres to “Member Value Comes First”, and endeavors to become a membership store that better understands Chinese consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

Expansion Status

During the six months ended 30 September 2024, the Group opened one hypermarket and three membership stores, M-Club. Among the new hypermarket and membership stores, M-Club, the hypermarket is located in Western China, and all M-Club membership stores are located in Eastern China. During the reporting period, the Group closed seven hypermarkets, of which one closed hypermarket located in Eastern China will be converted into membership stores. Among the other six closed hypermarkets, one was located in Northern China, one was located in Northeastern China, two were located in Southern China, and two were located in Central China.

As of 30 September 2024, the Group had a total of 466 hypermarkets, 30 superstores, and six membership stores, M-Club. The total gross floor area (“GFA”) of hypermarkets and superstores is approximately 13.26 million square meters, of which about 66.0% of the GFA was in leased properties, and 34.0% of the GFA was in self-owned properties. The GFA of membership store, M-Club, is approximately 222,912 square meters, of which four are self-owned properties. Please refer to note 1 below for definitions of regional zones.

As of 30 September 2024, approximately 6.4% of the Group’s hypermarkets and superstores were located in first-tier cities, 18.1% in second-tier cities, 48.6% in third-tier cities, 19.2% in fourth-tier cities and 7.7% in fifth-tier cities. Please refer to note 2 below for definitions of city tiers.

As of 30 September 2024, through the execution of lease contracts or acquisition of land plots, the Group identified and secured three sites to open hypermarkets, of which none of them are under construction. At the same time, there were four superstores which the Group has signed contracts, of which one is under construction.

Region	Number of Brick-and-Mortar Stores (As of 30 September 2024)					Total GFA of Brick-and-Mortar Stores (sq.m.) (As of 30 September 2024)						
	Hypermarket	Membership			Total	Percentage	Hypermarket	Membership			Total	Percentage
		Superstore	Store					Superstore	Store			
Eastern China	179	10	6	195	39%	5,223,693	81,491	222,912	5,528,096	41%		
Northern China	49	4	0	53	11%	1,308,922	31,123	0	1,340,045	10%		
Northeastern China	49	7	0	56	11%	1,629,079	54,550	0	1,683,629	12%		
Southern China	97	4	0	101	20%	2,429,080	18,444	0	2,447,524	18%		
Central China	69	3	0	72	14%	1,816,732	18,595	0	1,835,327	14%		
Western China	23	2	0	25	5%	636,737	14,940	0	651,677	5%		
Total	466	30	6	502	100%	13,044,243	219,143	222,912	13,486,298	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 2024, the Group had 85,778 employees (102,101 as of 30 September 2023). The total employee benefit expense was RMB4,106 million (RMB4,634 million as of 30 September 2023).

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

In addition to salary, the Group also makes contributions to defined contribution retirement plans, share option scheme and Employee Trust Benefit Schemes ("**ETBS**"), respectively. The Group has adopted a share option scheme as approved by the shareholders of the Company on 16 August 2023 and the latest amended ETBS as approved by the shareholders of the Company on 12 November 2024 for the purpose of, among other things, recognising employees' contribution to the Group's continuous growth and success; and attracting and retaining high-calibre personnel to strive for the long term development of the Group. Further details in relation to the options or awards granted under share option scheme and the amended ETBS during the six months ended 30 September 2024 are set out in the section headed "Share Schemes" of this report.

Continuous trainings are provided to the employees.

Outlook

After half-year of restoration and adjustment, Sun Art Retail has gradually stepped on the right track. Customers are aware that the prices are lower, and employees' moral has been boosted. The Group is gradually returning to organic growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Product and pricing are the foundations of the retail business. The goal of the Group is to become the leader of the business district and its mission is to save every penny for customers. The Group will actively uphold the values of caring colleagues, serving customers and striving for excellence. The Group aims to provide customers with a fresh, convenient, comfortable and affordable shopping environment, while working diligently to achieve the business goals of this fiscal year.

FINANCIAL REVIEW

Revenue

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

For the six months ended 30 September 2024, revenue from sales of goods was RMB33,186 million, representing a decrease of RMB1,039 million, or 3.0%, from RMB34,225 million for the corresponding period ended 30 September 2023. The decrease was mainly driven by (i) the closing down of the long-term loss-making stores; and (ii) the scaling down of supply chain business, which includes Taocaicai (“TCC”) and Tmall Shared Inventory business.

For the six months ended 30 September 2024, the Same Store Sales Growth⁽¹⁾ (“SSSG”) calculated based on sales of goods excluding supply chain business was 0.3%. The growth of same store sales mainly came from the increase in ticket size. The low-price strategy and product strategy enhanced user’s mentality, driving an increase in average purchase pieces per order and enhancing user stickiness. The offline revenue was gradually recovering and stabilising, with new online channels and own APP becoming key drive for the SSSG.

For the six months ended 30 September 2024, revenue from membership fee, a new revenue generator, was RMB14 million.

For the six months ended 30 September 2024, revenue from rental income was RMB1,508 million, representing a decrease of RMB35 million, or 2.3%, from RMB1,543 million for the corresponding period ended 30 September 2023, mainly due to the reduction of gallery areas caused by the store closures during the last fiscal year and the adjustment of tenant mixture.

Note:

- (1) Same store sales growth: the growth rate of sales of the stores opened before 30 September 2023. It is calculated by comparing the sales derived from those stores during their operating periods in the six months ended 30 September 2024 with sales during the corresponding periods ended 30 September 2023.

Gross Profit

For the six months ended 30 September 2024, gross profit was RMB8,526 million, representing a decrease of RMB363 million, or 4.1%, from RMB8,889 million for the corresponding period ended 30 September 2023.

The gross profit margin for the six months ended 30 September 2024 was 24.6%, representing a decrease of 0.3 percentage points from 24.9% for the six months ended 30 September 2023.

The Group accelerated the investments and facilitated the implementation of low-price strategy to drive customers gradually return and business performance continued to improve. In the future, the Group will focus on revenue growth to drive sustained gross profit growth.

Other Income and Other Gains, net

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

For the six months ended 30 September 2024, other income and other gains, net was RMB621 million, representing a decrease of RMB125 million, or 16.8%, from RMB746 million for the corresponding period ended 30 September 2023. The decrease was mainly attributed to the reduction of government grants, interest income and gain on disposal of packaging material, while the increase of one-off net gain on the disposal and reassessment of investment properties and other property, plant and equipment partially offset the aforementioned reductions.

Selling and Marketing Expenses

Selling and marketing expenses represent the expenses attributable to the operations of the stores and online business. Selling and marketing expenses primarily consist of personnel expenses, operating lease charges, expenses for utilities, maintenance, advertising, packing and delivery, platform expense, together with the depreciation of property, plant and equipment.

For the six months ended 30 September 2024, selling and marketing expenses were RMB7,667 million, representing a decrease of RMB1,051 million, or 12.1%, from RMB8,718 million for the corresponding period ended 30 September 2023.

The decrease was mainly due to (i) a decrease of RMB456 million savings on personal costs which was benefited from the optimisation of the personnel structure and pattern of stores, (ii) a decrease of RMB141 million impairment loss accrued for the stores with negative cash flows; and (iii) the management's effort to improve the investment efficiency of marketing expenses and intensify negotiation efforts for rental cost reduction. 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 2024 as a percentage of total revenue was 22.1%, representing a decrease of 2.3 percentage points from 24.4% for the corresponding period ended 30 September 2023.

Administrative Expenses

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

For the six months ended 30 September 2024, administrative expenses were RMB859 million, representing a decrease of RMB39 million, or 4.3%, from RMB898 million for the corresponding period ended 30 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease was mainly related to the management's efforts to streamline the headquarter organisation and savings on cost control.

The amount of administrative expenses for the six months ended 30 September 2024 as a percentage of total revenue was 2.5%, which kept flat with the corresponding period ended 30 September 2023.

Operating Profit

For the six months ended 30 September 2024, the operating profit was RMB621 million, representing an increase of RMB602 million, or 3,168.4%, from RMB19 million for the corresponding period ended 30 September 2023.

The operating margin during the six months ended 30 September 2024 was 1.8%, an increase of 1.7 percentage points, from 0.1% for the corresponding period ended 30 September 2023.

Finance Costs

Finance costs primarily consist of the interest expenses on borrowings, other financial liabilities and lease liabilities. For the six months ended 30 September 2024, the finance costs were RMB211 million, representing a slight decrease of RMB2 million, or 0.9%, from RMB213 million for the corresponding period ended 30 September 2023. The decrease of amortised interest expenses on lease liabilities offset the increase of interest expenses on borrowings.

Income Tax Expense

For the six months ended 30 September 2024, income tax expense was RMB224 million, representing an increase of RMB40 million, or 21.7%, from RMB184 million for the corresponding period ended 30 September 2023.

The related effective tax rate for the six months ended 30 September 2024 was 54.6%, which was caused by the unrecognised deferred tax on losses generated in several entities since the recoverability of those losses before their expiry was not certain.

Profit/(Loss) for the Period

For the six months ended 30 September 2024, profit for the period was RMB186 million, representing a turnaround increase of RMB564 million, or 149.2%, from a loss of RMB378 million for the corresponding period ended 30 September 2023.

The net profit margin for the six months ended 30 September 2024 was 0.5%, increasing by 1.6 percentage points, from a net loss margin of 1.1% of the corresponding period ended 30 September 2023. The increase was primarily attributable to the increase in operating margin.

Profit/(Loss) Attributable to Owners of the Company

For the six months ended 30 September 2024, the profit attributable to owners of the Company was RMB206 million, representing a turnaround increase of RMB565 million, or 157.4%, from a loss of RMB359 million for the corresponding period ended 30 September 2023.

Loss Attributable to Non-Controlling Interests

For the six months ended 30 September 2024, the loss attributable to non-controlling interests was RMB20 million, representing a decrease of RMB1 million, or 5.3%, from a loss of RMB19 million for the corresponding period ended 30 September 2023.

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

Liquidity, Financial Resources and Gearing Ratio

For the six months ended 30 September 2024, net cash outflow from operating activities was RMB641 million, representing a decrease of RMB3,442 million, or 122.9%, from net cash inflow of RMB2,801 million for the six months ended 30 September 2023. The decrease was mainly due to (i) an increase of restricted deposits of RMB2,918 million related to the unutilised prepaid cards balances which were stipulated by the PRC authorities; and (ii) the decrease in contract liabilities.

As at 30 September 2024, the net current liabilities decreased to RMB2,381 million from RMB3,140 million as at 31 March 2024. The decrease of the net current liabilities was primarily attributed to (i) an increase in the current assets of RMB2,116 million, which mainly resulted from the increase in the combined balance of restricted deposits, financial assets at FVPL, time deposits and inventories; and (ii) an increase in the current liabilities of RMB1,357 million mainly attributed to the increased balance of trade and other payables and borrowings. The increase in current assets was greater than the increase in current liabilities, which resulted in a decrease in the net current liabilities.

For the six months ended 30 September 2024, the inventory turnover days and trade payable turnover days, calculated on average balances of inventories and trade payables, together with the cost of inventories during the past six months, were 54 days and 76 days, respectively, compared to 58 days and 81 days for the corresponding period ended 30 September 2023.

As at 30 September 2024, the net cash position of the Group was RMB14,635 million as compared to RMB16,504 million as at 31 March 2024. The gearing ratio, calculated by dividing net cash position by the total equity was 0.67 as at 30 September 2024 as compared to 0.76 as at 31 March 2024.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Investing Activities

For the six months ended 30 September 2024, net cash outflow from investing activities was RMB2,125 million, representing a decrease of RMB2,388 million, or 908.0%, from net cash inflow of RMB263 million for the six months ended 30 September 2023. The decrease was mainly attributable to the increase in the net proceeds used in investment in financial assets measured at FVPL and time deposits.

The net cash outflow from investing activities was mainly reflected in (i) the capital expenditure of RMB534 million paid in respect of the development of new stores and the remodelling and digitalisation of existing stores; (ii) the net proceeds used in investment in financial instruments measured at FVPL of RMB1,206 million; and (iii) the net proceeds used in investment in time deposits with maturity over three months of RMB550 million.

Financing Activities

For the six months ended 30 September 2024, net cash inflow from financing activities was RMB360 million, with an increase of RMB1,023 million, or 154.3%, from net cash outflow of RMB663 million for the six months ended 30 September 2023. The increase was mainly attributable to (i) the increase in the net proceeds generated from borrowings; and (ii) the decrease in the dividend paid.

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 2024.

The Group contemplated to dispose certain non-performing assets in order to reduce losses and the costs of store closures. The associated assets and liabilities were consequently classified as held for sale in the consolidated statement of financial position as at 30 September and 31 March 2024.

As of 30 September 2024, the Group has completed the sale of one of the stores mentioned above and the sale of the remaining stores is still in progress.

Foreign Exchange Risks

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

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

Pledged Assets

As at 30 September 2024, the Group has pledged the land use rights with a net carrying amount of approximately RMB164 million to secure the specific bank loan.

CORPORATE GOVERNANCE PRACTICES

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

The Company recognises that a good corporate culture is essential to support and complement its corporate governance efforts and corporate image, and has developed a corporate culture emphasising on lawful, ethical and responsible business conduct over the years, which has been reflected in the overall operations and management of the Group. In order to promote open communication in the workplace and high ethical standards among staff and management of the Group, the Group has established anti-corruption and whistle-blowing policies and training, to provide guidance on identifying potential breaches or improper behaviour, reporting procedures and consequences of violations of such policies. For further details on the Group's anti-corruption and whistle-blowing policies, please see the environmental, social and governance report of the Company.

The Company has devised its own Corporate Governance and Compliance Manual which incorporates all the principles and practices as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The Company reviews its organisational structure regularly to ensure its 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 2024.

Further information of the corporate governance practice of the Company were set out in the corporate governance report included in the annual report of the Company for the year ended 31 March 2024.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2024 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 C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Company Code and the Model Code throughout the six months ended 30 September 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2023/2024 annual report to the date of this report are set out below:

During the reporting period, Ms. QIN Yuehong, a Non-Executive Director, has been appointed as a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Board with effect from 9 August 2024.

Save for disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. ESG Management Committee and ESG Working Group are set under the Board. The ESG Management 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 Committee'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 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

On the Board meeting held on 12 November 2024, while the Directors noted the Group's turnaround from loss to profit for the six months ended 30 September 2024, the Directors noted that the Company is currently in the offer period which commenced from 15 October 2024 following the publication of the announcement made pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers, the Directors considered that they would require additional information to assess the implications of the proposed declaration of interim dividends and continue to evaluate all relevant matters (including but not limited to the potential progress of any offers) and therefore resolved to postpone the decision on whether to declare an interim dividend to the next board meeting.

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 publication 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.

As at the date of this interim report, the remaining life of the Share Option Scheme is approximately 8 years and 8 months.

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).

Vesting period

The vesting period shall not be less than 12 months from the date of grant of the share options, unless a shorter vesting period under specific circumstances as set out in the Share Option Scheme applies.

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 2024, 908,970,470 Shares (representing approximately 9.5% of the issued share capital of the Company) underlying the options are available for future grant under the scheme mandate limit of the Share Option Scheme. The participants of the scheme do not include service providers and therefore no service provider sublimit.

During the reporting period, no options have been granted and the details of the options outstanding as at 30 September 2024 under the Share Option Scheme are as below:

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Category or name of grantees	Date of grant/conditional grant	Vesting period of share options	Exercise Period	Exercise price (HK\$)	Number of Shares represented by options outstanding as at 1 April 2024	Granted during the reporting period	Closing price immediately before the dates of grant (HK\$)	Fair value of options at the grant dates	Performance targets	Options exercised during the reporting period	Weighted average price	Options immediately before the dates of exercise (HK\$)	Options lapsed during the reporting period	Options cancelled during the reporting period	Number of Shares represented by options outstanding as at 30 September 2024
											immediately before the dates of exercise (HK\$)				
Executive Director															
SHEN Hui	27 March 2024 ^(Note 1)	28 March 2025, 2026, 2027 and 2028 ^(Note 2)	Within ten years from 27 March 2024 ^(Note 2)	1.54	25,000,000	Nil	1.41	N/A	None	Nil	N/A	Nil	Nil	Nil	25,000,000
Sub-total					25,000,000	Nil				Nil		Nil	Nil	Nil	25,000,000
Two directors of the subsidiaries of the Company (in aggregate)	18 August 2023 ^(Note 3)	1 April 2025 and 1 April 2027 ^(Note 4)	Within ten years from 18 August 2023 ^(Note 4)	2.18	20,000,000	Nil	2.09	N/A	None	Nil	N/A	Nil	Nil	Nil	20,000,000
Sub-total					20,000,000	Nil				Nil		Nil	Nil	Nil	20,000,000
Total					45,000,000	Nil				Nil		Nil	Nil	Nil	45,000,000

Notes:

- The closing price per Share is HK\$1.41 as stated in the daily quotation sheets issued by the Stock Exchange on 26 March 2024, being the trading day immediately before the date of grant.
- The options granted shall vest in four equal tranches on 28 March 2025, 28 March 2026, 28 March 2027 and 28 March 2028, respectively. Subject to vesting, the options are exercisable within ten years from 27 March 2024.
- 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 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 908,970,470 Shares; and (ii) the end of the reporting period was 908,970,470 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 0.47%.

(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). Should ACI Group or CIC Group do not record a net profit after tax for relevant financial year, at the discretion of the Board of the Company, cash payment to Employer’s Contribution and/or Retirement Saving Contribution for Managerial Employees might be made by using other funds and is payable to the trust.

In addition to the 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 ETBS, 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 2024, approximately 1.38% of the equity interests in ACI and approximately 2.01% 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.

The latest amended Auchan Scheme and amended RT-Mart Scheme were approved and adopted at the extraordinary general meeting held on 12 November 2024. More information is available from the Company’s announcement dated 18 October 2024, the circular dated 23 October 2024 and the poll results announcement dated 12 November 2024.

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 principal operating subsidiaries of the Company in the PRC, namely ACI under the Auchan Scheme or CIC under 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.

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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.

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 adopted at the extraordinary meeting held on 12 November 2024 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. As at the date of this interim report, the maximum amount of capital in ACI which may be injected by the Trustee in respect of the Auchan Scheme under the scheme mandate is US\$37,136,793, representing 10% of the ACI Registered Capital.

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. As at the date of this interim report, 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 is US\$24,868,640, representing 10% of the CIC Registered Capital.

Each of the ACI scheme mandate limit and CIC scheme mandate limit may be refreshed after three years from 16 August 2023 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. If ACI and CIC (as the case may be) does not record a net profit after tax, the amount of Employer’s Contribution will be subject to the approval of the Board of the Company. 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. Subject to the approval of the Board of the Company, the Retirement Saving Contribution could be made by other funds. The Trustee’s maximum equity interest 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).

Vesting Period of Trust Units

Trust Units are immediately vested with the Selected Participants on the day of the subscription. However, Trust Units held by the Selected Participants are subject to disposal restrictions as set out below under the paragraphs headed “Freeze Period (Employer’s Contribution)”, “Freeze Period (Employees’ Contribution)” and “Lock-up Period (Retirement Saving Contribution)”.

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 employment or 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 the RT-Mart Scheme

The Auchan Scheme and the RT-Mart Scheme shall be valid and effective for ten (10) years from 16 August 2023, 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.

As at the date of this interim report, the remaining life of each of the Auchan Scheme and the RT-Mart Scheme is approximately 8 years and 8 months.

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.

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 2024 ⁽¹⁾	Trust Units which are subject to Freeze Period/ Lock-Up as at 1 April 2024 ⁽¹⁾	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		Trusts which have been transferred to the settlor and subsequently extinguished	Unvested Trust Units as at 30 September 2024 ⁽¹⁾	Trust Units which are subject to Freeze Period/ Lock-Up as at 30 September 2024
										Period/ Lock-Up	Cancelled/ Forfeited/ Lapsed			
Employees under Auchan Scheme (including Managerial Employees and General Employees)														
Five highest paid employees under the Auchan Scheme in aggregate	14/11/2023	N/A (See disclosure on freeze period and lock-up period above)	RMB17.12 per Trust Unit	N/A	RMB17.12 per Trust Unit	N/A	141,148.02	0	N/A	0	0	0	N/A	141,148.02
Other employees under Auchan Scheme (including Managerial Employees and General Employees)	14/11/2023	N/A (See disclosure on freeze period and lock-up period above)	RMB17.12 per Trust Unit	N/A	RMB17.12 per Trust Unit	N/A	2,145,750.24	0	N/A	61,910.79	16,638.29	2,193.13	N/A	2,065,008.03
Total		N/A				N/A	2,286,898.26	N/A	N/A	61,910.79	16,638.29	2,193.13	N/A	2,206,156.05

CORPORATE GOVERNANCE AND OTHER INFORMATION

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) During the reporting period, the Trustee did not make capital injection in ACI in accordance with the terms of the Auchan Scheme. 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 contributed to a subsequent capital injection in ACI by the Trustee 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 2024 ⁽¹⁾	Trust Units which are subject to Freeze Period/ Lock-Up as at 1 April 2024 ⁽¹⁾	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 which have been transferred to the settlor and subsequently extinguished	Unvested Trust Units as at 30 September 2024 ⁽¹⁾	Trust Units which are subject to Freeze Period/ Lock-Up as at 30 September 2024
Employees under RT-Mart Scheme (including Managerial Employees and General Employees)														
Five highest paid employees under the RT-Mart Scheme in aggregate	14/11/2023	N/A (See disclosure on freeze period and lock-up period above)	RMB230.56 per Trust Unit	N/A	RMB230.56 per Trust Unit	N/A	52,134.60	0	N/A	51,322.28	0	0	N/A	812.32
Other employees under RT-Mart Scheme (including Managerial Employees and General Employees)	14/11/2023	N/A (See disclosure on freeze period and lock-up period above)	RMB230.56 per Trust Unit	N/A	RMB230.56 per Trust Unit	N/A	3,634,304.21	0	N/A	586,717.26	188,676.51	16,000.86	N/A	2,842,909.58
Total		N/A				N/A	3,686,438.81	0	N/A	638,039.54	188,676.51	16,000.86	N/A	2,843,721.90

CORPORATE GOVERNANCE AND OTHER INFORMATION

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) During the reporting period, the Trustee did not make capital injection in CIC in accordance with the terms of the RT-Mart Scheme. 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 contributed to a subsequent capital injection in CIC by the Trustee 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.

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

As at 30 September 2024, 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 for Securities Transactions by Directors of Listed Issuers as set out in the Appendix C3 to the Listing Rules (the “Model Code”), to be notified to the Company and the Stock Exchange, are as follows:

Name of director/ chief executive	Name of corporation	Nature of interest	Total number of shares/underlying shares held ⁽¹⁾	Approximate percentage shareholding of the relevant entity
HUANG Ming-Tuan	The Company	Interest of spouse ⁽²⁾	68,334,202(L)	0.71%
SHEN Hui	The Company	Beneficial owner	25,000,000(L) ⁽³⁾	0.26%
QIN Yuehong	Alibaba Group ⁽⁴⁾	Beneficial owner	449,600(L) ⁽⁵⁾	0.00%
HAN Liu	Alibaba Group	Beneficial owner	148,616(L) ⁽⁶⁾	0.00%
Charles Sheung Wai CHAN	Alibaba Group	Beneficial owner	13,128(L)	0.00%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The letter “L” denotes the person’s long position.
- (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) Subject to vesting, Mr. SHEN Hui is interested in 25,000,000 Shares underlying 25,000,000 options granted to him on 27 March 2024 in accordance with the Share Option Scheme. The option will be vested in four equal tranches on 28 March 2025, 28 March 2026, 28 March 2027 and 28 March 2028.
- (4) Alibaba Group is a company incorporated in the Cayman Islands with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange, stock symbol BABA, and its ordinary shares listed on the main board of The Stock Exchange, stock code 9988 (HKD counter) and 89988 (RMB counter). 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.
- (5) Ms. QIN Yuehong beneficially held 294,600 ordinary shares and subject to vesting, was interested in 19,375 Restricted Share Units (“**RSU**”) (representing 155,000 ordinary shares) granted to her in accordance with the share award scheme of Alibaba Group.
- (6) Mr. HAN Liu beneficially held 99,616 ordinary shares and subject to vesting, was interested in 6,125 RSU (representing 49,000 ordinary shares) granted to him in accordance with the share award scheme of Alibaba Group.
- (7) The share capital of Alibaba Group as at 30 September 2024 was 19,159,821,492.

Save as disclosed above, so far as known to any Directors, as at 30 September 2024, none of the Directors or chief executives of the Company or any of their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as defined in Part XV of the SFO, which were required to be recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors or chief executives to the Company and the Stock Exchange pursuant to the Model Code.

As at 30 September 2024:

- (a) Mr. HAN Liu was the chief executive officer of Ele.me (餓了麼) and the president of Fengniao Logistics (蜂鳥即配) of Alibaba Group.
- (b) Ms. QIN Yuehong was the head of corporate finance department of Alibaba Group.

Save as disclosed above, as at 30 September 2024, 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 at 30 September 2024, the persons or corporations (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company or its associated corporation(s) which were recorded in the register required to be kept under section 336 of the SFO were as follows:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2024, Taobao Holding held an aggregated long interest of 73.66% in the Company, of which Taobao China directly held 2,607,565,384 shares, constituting 27.33% interest in the Company.
- (4) Taobao Holding is a company incorporated in Cayman Islands, which is wholly-owned by Alibaba Group. Taobao China is wholly-owned by Taobao Holding, therefore Taobao Holding is deemed to be interested in all the shares in which Taobao China is interested in by virtue of Part XV of the SFO.
- (5) New Retail Strategic Opportunities GP Limited is the general partner of New Retail Strategic Opportunities Fund GP, L.P., which in turn is the general partner of New Retail Strategic Opportunities Fund, L.P. New Retail is an investment vehicle wholly-owned by New Retail Strategic Opportunities Fund, L.P. Therefore, New Retail Strategic Opportunities GP Limited is deemed to be interested in all the shares in which New Retail is interested by virtue of Part XV of the SFO. New Retail Strategic Opportunities GP Limited is directly wholly-owned by Alibaba Investment Limited (which in turn is directly wholly-owned by Alibaba Group). Therefore, Alibaba Investment Limited is deemed to be interested in all the shares in which New Retail is interested by virtue of Part XV of the SFO.
- (6) Alibaba Group is a company incorporated in the Cayman Islands and its American depositary shares and ordinary shares are listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited, respectively. Each of Taobao Holding and Alibaba Investment Limited is directly wholly-owned by Alibaba Group, therefore Alibaba Group is deemed to be interested in all the shares in which Taobao China and New Retail are interested in by virtue of Part XV of the SFO.
- (7) Such 4,419,731,966 shares belong to the same batch of shares.
- (8) Such 480,369,231 shares belong to the same batch of shares.

Save as disclosed above, as at 30 September 2024, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which were required 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 35 to 72, 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 2024 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” issued by the Hong Kong Institute of Certified Public Accountants. 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.

REVIEW REPORT

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, 12 November 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	Unaudited	
		Six months ended 30 September	
		2024	2023
		RMB million	RMB million
Revenue	6	34,708	35,768
Cost		(26,182)	(26,879)
Gross profit		8,526	8,889
Selling and marketing expenses		(7,667)	(8,718)
Administrative expenses		(859)	(898)
Other income and other gains, net	8	621	746
Operating profit		621	19
Finance costs	9	(211)	(213)
Profit/(loss) before income tax		410	(194)
Income tax expense	10	(224)	(184)
Profit/(loss) for the period		186	(378)
Other comprehensive income for the period		–	–
Total comprehensive income/(loss) for the period		186	(378)
Profit/(loss) is attributable to:			
Owners of the Company		206	(359)
Non-controlling interests		(20)	(19)
Profit/(loss) for the period		186	(378)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	Unaudited Six months ended 30 September	
		2024 RMB million	2023 RMB million
Total comprehensive income/(loss) attributable to:			
Owners of the Company		206	(359)
Non-controlling interests		(20)	(19)
Total comprehensive income/(loss) for the period		186	(378)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company:			
Basic and diluted earnings/(loss) per share	11	RMB0.02	RMB(0.04)

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 2024

	<i>Notes</i>	30 September 2024 RMB million (Unaudited)	31 March 2024 RMB million
ASSETS			
Non-current assets			
Investment properties	13	5,246	5,302
Other property, plant and equipment	13	20,058	20,969
Intangible assets	14	59	55
Deferred tax assets		1,240	1,438
Restricted deposits	18	710	710
Time deposits	18	2,130	1,830
Trade and other receivables	15	82	51
Total non-current assets		29,525	30,355
Current assets			
Inventories		8,065	7,691
Trade and other receivables	15	1,867	2,133
Restricted deposits	18	6,953	3,985
Time deposits	18	1,238	1,040
Financial assets at fair value through profit or loss ("Financial assets at FVPL")	16	4,741	3,474
Cash and cash equivalents	17	9,500	11,908
Assets of disposal groups classified as held for sale	19	112	129
Total current assets		32,476	30,360
Total assets		62,001	60,715

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	Notes	30 September 2024 RMB million (Unaudited)	31 March 2024 RMB million
LIABILITIES			
Non-current liabilities			
Trade and other payables	21	23	28
Lease liabilities	20	4,873	4,950
Deferred tax liabilities		450	443
Total non-current liabilities		5,346	5,421
Current liabilities			
Trade and other payables	21	17,654	16,812
Borrowings	22	2,983	1,749
Contract liabilities	23	12,218	12,675
Current tax liabilities		5	79
Lease liabilities	20	1,517	1,678
Liabilities directly associated with assets of disposal groups classified as held for sale	19	480	507
Total current liabilities		34,857	33,500
Total liabilities		40,203	38,921
Net assets		21,798	21,794

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	Notes	30 September 2024 RMB million (Unaudited)	31 March 2024 RMB million
EQUITY			
Share capital	24	10,020	10,020
Reserves		11,411	11,383
Capital and reserves attributable to the owners of the Company		21,431	21,403
Non-controlling interests		367	391
Total equity		21,798	21,794

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

The condensed consolidated financial statements on pages 35 to 72 were approved by the Board of Directors on 12 November 2024 and were signed on its behalf.

SHEN Hui

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 2024

	Attributable to owners of the Company							Total equity	
	Share capital	Capital reserve	Share-based payments reserve	Exchange reserve	Statutory reserve	Retained earnings	Total		Non-controlling interests
Notes	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:									
- 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	12	-	-	-	-	(401)	(401)	(15)	(416)
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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

Attributable to owners of the Company									
	Share capital	Capital reserve	Share-based payments	Exchange reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Notes									
Balance at 1 April 2024	10,020	1,108	27	45	2,471	7,732	21,403	391	21,794
Comprehensive income/(loss)									
Profit/(loss) for the period	-	-	-	-	-	206	206	(20)	186
Total comprehensive income/(loss)						206	206	(20)	186
Transactions with owners in their capacity as owners									
Employee share incentive schemes:									
- Share-based payments related to the options granted by the Group		-	6	-	-	-	6	-	6
- Share-based payments related to the award granted by Alibaba Group		-	3	-	-	-	3	-	3
- Settlement of share-based award cost with Alibaba Group		-	(14)	-	-	-	(14)	-	(14)
Dividend provided for or paid		-	-	-	-	(173)	(173)	(4)	(177)
Total transactions with owners in their capacity as owners			(5)			(173)	(178)	(4)	(182)
Balance at 30 September 2024 (Unaudited)	10,020	1,108	22	45	2,471	7,765	21,431	367	21,798

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 2024

	Notes	Unaudited Six months ended 30 September	
		2024 RMB million	2023 RMB million
Cash flows from operating activities			
Cash (used in)/generated from operations	25	(547)	3,016
Income taxes paid		(94)	(215)
Net cash (outflow)/inflow from operating activities		(641)	2,801
Cash flows from investing activities			
Proceeds from sale of investment properties and other property, plant and equipment		31	28
Proceeds from redemption of time deposits with maturity over three months		318	2,000
Proceeds from redemption of financial assets at FVPL		8,945	5,171
Interest received		144	236
Payment for investment properties and other property, plant and equipment		(534)	(513)
Payment for intangible assets	14	(9)	(11)
Payment for the purchase of time deposits with maturity over three months		(868)	(1,568)
Payment for financial assets at FVPL		(10,151)	(5,080)
Cash outflow from sale of a subsidiary, net of cash disposed		(1)	–
Net cash (outflow)/inflow from investing activities		(2,125)	263
Cash flows from financing activities			
Proceeds from borrowings		2,415	494
Principal element of lease rentals paid		(373)	(432)
Interest element of lease rentals paid	9	(178)	(207)
Cash prepaid for acquisition of non-controlling interests	27(c)	(104)	(97)
Payment for acquisition of non-controlling interests		(4)	–
Cash injection from non-controlling interests		–	10
Repayments of bank borrowings		(1,200)	–
Borrowings costs		(10)	–
Repayment of interests		(1)	(1)
Dividends paid to Company's shareholders	12	(173)	(401)
Dividends paid to non-controlling interests in subsidiaries		(12)	(29)
Net cash inflow/(outflow) from financing activities		360	(663)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		11,908	12,408
Effects of exchange rate changes on cash and cash equivalents		–	–
Cash and cash equivalents included in the assets of disposal groups classified as held for sale	19	(2)	–
Cash and cash equivalents at the end of the period	17	9,500	14,809

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 2024 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 2024 and any public announcements made by the Company during the interim reporting period.

The financial information relating to the year ended 31 March 2024 that is included in the condensed consolidated interim financial information for the six months ended 30 September 2024 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 2024 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 2024

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 new and amended standards for the first time for their annual reporting period commencing 1 April 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1.
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised).
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16.
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

The adoption of the new and amended standards listed above 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 2024

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

New and amended 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 2024 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 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	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 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

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 2024 (Unaudited)

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
Financial assets:				
– Financial assets at FVPL	–	2,959	1,782	4,741

Recurring fair value measurements at 31 March 2024

	Level 1	Level 2	Level 3	Total
	RMB million	RMB million	RMB million	RMB million
Financial assets:				
– Financial assets at FVPL	–	1,323	2,151	3,474

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 2024

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 2024.

Balance at 1 April 2024	2,151
Purchase	5,590
Redemption	(5,989)
Gain recognised in profit or loss*	30
Balance at 30 September 2024 (Unaudited)	1,782

* includes unrealised gains recognised in profit or loss attributable to balances held at the period end 31

There were no transfers between the levels of the fair value hierarchy in the six months ended 30 September 2024. There were also no changes made to any of the valuation techniques applied as of 31 March 2024.

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 2024 (Unaudited)	Valuation technique	Unobservable input	Range/ (weighted average)	Relationship of unobservable input to fair value
Financial assets at FVPL	1,782	Income approach	Rate of return	2.25%-3.60%/ (3.10%)	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 2024

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 2024 (Unaudited)	Within 1 year or on demand <i>RMB million</i>	Between 1 and 2 years <i>RMB million</i>	Between 2 and 5 years <i>RMB million</i>	Over 5 years <i>RMB million</i>	Total contractual cash flows <i>RMB million</i>	Carrying amount liabilities <i>RMB million</i>
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Non-derivatives

Trade and other payables	15,136	–	–	23	15,159	15,159
Borrowings (Note 22)	3,005	–	–	–	3,005	2,983
Lease liabilities (Note 20)	1,812	1,343	2,334	2,318	7,807	6,390
Total non-derivatives	19,953	1,343	2,334	2,341	25,971	24,532

Contractual maturities of financial liabilities At 31 March 2024	Within 1 year or on demand <i>RMB million</i>	Between 1 and 2 years <i>RMB million</i>	Between 2 and 5 years <i>RMB million</i>	Over 5 years <i>RMB million</i>	Total contractual cash flows <i>RMB million</i>	Carrying amount liabilities <i>RMB million</i>
Non-derivatives						
Trade and other payables	14,060	–	–	28	14,088	14,088
Borrowings (Note 22)	1,776	–	–	–	1,776	1,749
Lease liabilities (Note 20)	2,003	1,381	2,464	2,332	8,180	6,628
Total non-derivatives	17,839	1,381	2,464	2,360	24,044	22,465

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

6 SEGMENT AND REVENUE INFORMATION

The principal activity of the Group is the operation of brick-and-mortar stores and online sales channels in the People's Republic of China ("PRC").

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

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

	Six months ended 30 September	
	2024	2023
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
– recognised at a point in time	33,186	34,225
– recognised over time	14	–
Revenue from other sources – rental income from tenants	1,508	1,543
Total revenue	34,708	35,768

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

7 DETAIL OF COST OF SALES AND EXPENSES

(a) Employee benefit expense

	Six months ended 30 September	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Salaries, wages and other benefits	3,653	4,119
Contributions to defined contribution retirement plans	415	505
Expenses related to Employee Trust Benefit Schemes (i)	29	–
Share-based compensation expenses (ii)	9	10
	4,106	4,634

(i) 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.

For the six months ended 30 September 2024, the Group recognised total expenses of RMB29 million related to Employee Trust Benefit Schemes (for the six months ended 30 September 2023: 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

7 DETAIL OF COST OF SALES AND EXPENSES (CONTINUED)

(a) Employee benefit expense (Continued)

(ii) 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.

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

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

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

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 31 March 2024 and 30 September 2024 (Unaudited)	45,000	1.82
Vested and exercisable at 30 September 2024 (Unaudited)	–	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

7 DETAIL OF COST OF SALES AND EXPENSES (CONTINUED)

(a) Employee benefit expense (Continued)

(ii) Share-based compensation expenses (Continued)

(i) Share options (Continued)

The weighted average remaining contractual life of outstanding share options was 9.22 years as at 30 September 2024.

Fair value of share options

The assessed fair value at grant date of options granted on 18 August 2023 and 27 March 2024 were RMB0.70 and RMB0.51 per option, respectively. 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:

Exercise price (HKD)	1.54~2.18
Expected volatility	40.65%~46.06%
Expected term (years)	5.5~7.0
Risk-free interest rate	3.48%~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 2024, the Group recognised total expenses of RMB3 million in respect of the share-based payments plans of Alibaba Group (for the six months ended 30 September 2023: RMB8 million).

The Group is obligated to pay a cash consideration to Alibaba Group for such employees' service period at the Group on a pro rata basis when these share-based awards were vested. As at 30 September 2024, a payable of RMB14 million was recognised to be reimbursed by the Group to Alibaba Group (31 March 2024: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

7 DETAIL OF COST OF SALES AND EXPENSES (CONTINUED)

(a) Employee benefit expense (Continued)

(ii) 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 2024 and 2023 as part of employee benefit expenses were as follows:

	Six months ended 30 September	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Share options granted by the Company	6	2
Share-based payments plans of Alibaba Group	3	8
	9	10

(b) Other items

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

	Six months ended 30 September	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Cost of sales	26,140	26,836
Depreciation of investment properties and other property, plant and equipment	1,574	1,753
Operating lease charges	383	427
Impairment losses on investment properties and other property, plant and equipment (Note 13(c))	5	146
Amortisation of intangible assets (Note 14)	4	3
Provision for/(reversal of) allowance related to trade receivables and other debtors	2	(62)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

8 OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 September	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Interest income on financial assets measured at amortised cost	207	246
Miscellaneous income	162	236
Net gain on disposal and reassessment of investment properties and other property, plant and equipment	80	27
Government grants	68	124
Gain on financial assets measured at FVPL	61	63
Gain on disposal of packaging material	43	50
	621	746

9 FINANCE COSTS

	Six months ended 30 September	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Interest expenses on lease liabilities	178	207
Interest expenses on borrowings	32	5
Interest expenses on other financial liabilities	1	1
	211	213

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

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	
	2024 <i>RMB million</i> (Unaudited)	2023 <i>RMB million</i> (Unaudited)
<i>Current tax-Hong Kong profits tax</i>		
Current tax on profits for the period (a)	–	–
<i>Current tax-PRC income tax</i>		
Current tax on profits for the period	10	98
Withholding tax	9	23
Adjustments for current tax of prior periods	–*	(19)
Total current tax expense	19	102
<i>Deferred income tax</i>		
Decrease in deferred tax assets	198	88
Increase/(decrease) in deferred tax liabilities	7	(6)
Total deferred tax benefit	205	82
Income tax expense	224	184

* The amount is less than a million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

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 2024 (for the six months ended 30 September 2023: 25%) under the Enterprise Income Tax law (“**EIT law**”).

Pursuant to the relevant regulations in respect of Announcement on Implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Businesses (Cai Shui [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 25% of the annual taxable income using the tax rate of 20% from 1 January 2023 to 31 December 2027; for the portion of annual taxable income from RMB1 million to RMB3 million (inclusive), income tax shall be calculated at 25% of the annual taxable income using the tax rate of 20% from 1 January 2022 to 31 December 2027. Approximately 41% of PRC subsidiaries of the Group enjoyed this preferential income tax treatment during the 2023 annual tax filing (during the 2022 annual tax filing: approximately 35%).

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 2024 (for the six months ended 30 September 2023: 15%).

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 Mainland China from earnings accumulated from 1 January 2008.

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

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

During the six months ended 30 September 2024 and 2023, 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.

As at 30 September 2024, no deferred tax liabilities were provided on post-2007 undistributed profits of the Group’s PRC subsidiaries amounted to RMB6,644 million for which the Group has no plan to distribute them outside the PRC in the foreseeable future (31 March 2024: RMB6,446 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 2024

11 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of RMB206 million (six months ended 30 September 2023: loss attributable to owners of the Company of RMB359 million) and the weighted average of 9,539,704,700 ordinary shares (six months ended 30 September 2023: 9,539,704,700 ordinary shares) in issue during the interim period.

For the six months ended 30 September 2024 and 2023, the share options granted by the Company are considered to be potential ordinary shares. As the exercise price of the share options is higher than the average price of the ordinary shares for the periods, the share options are not included in the calculation of diluted earnings/(loss) per share. The diluted earnings/(loss) per share is equivalent to basic earnings/(loss) per share during the six months ended 30 September 2024 and 2023.

	Six months ended 30 September	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Earnings/(loss) attributable to owners of the Company	206	(359)
Weighted average number of ordinary shares in issue	9,539,704,700	9,539,704,700
Basic earnings/(loss) per share (expressed in RMB per share)	0.02	(0.04)

12 DIVIDENDS

	Six months ended 30 September	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Dividends provided for or paid to Company's shareholders	173	401

As at 12 November 2024, no interim dividend has been declared in respect of the six months ended 30 September 2024 (six months ended 30 September 2023: nil).

13 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT**(a) Right-of-use assets**

During the six months ended 30 September 2024, the Group recognised the additions to right-of-use assets of RMB275 million (six months ended 30 September 2023: RMB787 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 2024, it is estimated that an increase/decrease in sales generated from these retail stores by 5% would have increased/decreased the lease payments by RMB15 million (31 March 2024: RMB31 million).

(b) Acquisitions and disposals

During the six months ended 30 September 2024, the Group incurred capital expenditure of RMB419 million (six months ended 30 September 2023: RMB440 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 RMB50 million were disposed during the six months ended 30 September 2024 (six months ended 30 September 2023: RMB57 million), resulting in a loss on disposal of RMB22 million (six months ended 30 September 2023: RMB29 million).

(c) Impairment provision

For the six months period ended 30 September 2024, 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 RMB5 million (six months ended 30 September 2023: RMB146 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 2024

14 INTANGIBLE ASSETS

	Software
	<i>RMB million</i>
At 31 March 2024	
Cost	266
Accumulated amortisation and impairment	(211)
Net book amount	<u>55</u>
Six months ended 30 September 2024	
Opening net book amount	55
Additions	9
Disposal	(1)
Amortisation charge (Note 7(b))	(4)
Closing net book amount	<u>59</u>
At 30 September 2024 (Unaudited)	
Cost	272
Accumulated amortisation and impairment	(213)
Net book amount	<u>59</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

15 TRADE AND OTHER RECEIVABLES

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Trade receivables		
Amounts due from third parties	433	541
Amounts due from related parties (Note 27(d))	163	306
Less: provision for impairment	(45)	(200)
Subtotal	551	647
Other receivables		
Prepayments of rentals	378	619
Value-added tax receivables	296	325
Amounts due from related parties (Note 27(d))	104	–
Other debtors	755	726
Less: provision for impairment	(135)	(133)
Subtotal	1,398	1,537
Total trade and other receivables	1,949	2,184
Less: non-current portion	(82)	(51)
Current portion	1,867	2,133

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

16 FINANCIAL ASSETS AT FVPL

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Structured deposits	3,472	3,023
Money market funds	811	–
Certificates of deposit (i)	458	451
	4,741	3,474

- (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

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Cash at bank and in hand	9,311	10,367
Deposits with banks within three months of maturity	56	1,414
Other financial assets and cash equivalents	133	127
	9,500	11,908

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

18 TIME DEPOSITS AND RESTRICTED DEPOSITS

(a) Time deposits

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Included in non-current assets:		
RMB time deposits	2,130	1,830
Included in current assets:		
RMB time deposits	1,238	1,040

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 2024 and 31 March 2024, the carrying amounts of the time deposits with initial terms of over three months approximated their fair values.

(b) Restricted deposits

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Included in non-current assets:		
Restricted time deposits	710	710
Included in current assets:		
Restricted time deposits	109	59
Restricted deposits in bank	6,844	3,926
	6,953	3,985

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 2024

19 ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

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

As at 30 September 2024, the Group completed the sale of one of the stores mentioned above and the sale of the remaining stores is still in progress.

The following assets and liabilities were reclassified as held for sale as at 30 September 2024 and 31 March 2024:

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Assets of disposal groups classified as held for sale		
Investment properties	18	18
Other property, plant and equipment	58	61
Trade and other receivables	18	34
Restricted deposits	—*	—*
Cash and cash equivalents	18	16
Total assets of disposal groups classified as held for sale	112	129
Liabilities directly associated with assets of disposal groups classified as held for sale		
Trade and other payables	47	62
Lease liabilities	355	356
Contract liabilities	78	88
Current tax liabilities	—*	1
Total liabilities directly associated with assets of disposal groups classified as held for sale	480	507

* The amount is less than a million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

20 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 2024		As at 31 March 2024	
	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	1,517	1,812	1,678	2,003
1-2 years	1,106	1,343	1,121	1,381
2-5 years	1,880	2,334	1,974	2,464
Over 5 years	1,887	2,318	1,855	2,332
	4,873	5,995	4,950	6,177
	6,390	7,807	6,628	8,180
Less: Total future interest expenses	–	(1,417)	–	(1,552)
Present value of lease liabilities	6,390	6,390	6,628	6,628

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

21 TRADE AND OTHER PAYABLES

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Current liabilities		
Trade payables	11,618	10,312
Construction costs payable	693	798
Amounts due to related parties (Note 27(d))	559	691
Dividends payable to non-controlling interests	11	11
Accruals and other payables	4,773	5,000
	17,654	16,812
Non-current liabilities		
Other financial liabilities	23	28

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

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Within six months	10,241	8,578
Over six months	1,377	1,734
	11,618	10,312

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

22 BORROWINGS

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Current liabilities		
Bank borrowings, unsecured – maturity amount	2,925	1,725
Bank borrowings, secured – maturity amount	67	39
Less: unamortised discount	(9)	(15)
	2,983	1,749

- (a) The carrying amount of borrowings approximated its fair value and was denominated in RMB.
- (b) As at 30 September 2024, the effective interest rates per annum on borrowings was 2.209% (31 March 2024: 2.145%).
- (c) As at 30 September 2024, the carrying amount of land use rights pledged as security for borrowings were RMB164 million (31 March 2024: RMB167 million).

23 CONTRACT LIABILITIES

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Prepaid cards	11,733	12,195
Advance receipts from customers for sales	332	215
Customer loyalty program points liability	121	244
Membership fee	32	21
	12,218	12,675

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

24 SHARE CAPITAL

	As at 30 September 2024		As at 31 March 2024	
	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.

25 CASH FLOW INFORMATION

	Six months ended 30 September	
	2024	2023
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Profit/(loss) before income tax	410	(194)
Adjustments for		
Depreciation of investment properties and other property, plant and equipment (Note 7(b))	1,574	1,753
Amortisation of intangible assets (Note 7(b))	4	3
Impairment losses on investment properties and other property, plant and equipment (Note 7(b))	5	146
Finance costs (Note 9)	211	213
Interest income on financial assets measured at amortised cost (Note 8)	(207)	(246)
Gain on financial assets measured at FVPL (Note 8)	(61)	(63)
Net gain on disposal and reassessment of investment properties and other property, plant and equipment (Note 8)	(80)	(27)
Provision for/(reversal of) allowance related to trade receivables and other debtors (Note 7(b))	2	(62)
Provision for impairment of inventories, net	2	6
Share-based compensation expenses (Note 7(a)(ii))	9	10
Net foreign exchange loss/(gain)	7	(17)
Change in working capital		
Increase in inventories	(376)	(248)
Decrease in trade and other receivables	409	915
Increase in restricted deposits	(2,918)	(565)
Increase in trade and other payables	929	929
(Decrease)/increase in contract liabilities	(467)	463
Cash (used in)/generated from operations	(547)	3,016

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

26 COMMITMENTS

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

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Contracted for	379	488
Authorised but not contracted for	381	699
	760	1,187

27 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its significant 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 2024 and 2023, the directors are of the view that the following entities are related parties of the Group:

Name of Party	Relationship
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 2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Short-term employee benefits	12	19
Post-employment benefits	–	–
Share-based payments	8	5
	20	24

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

27 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 2024 and 2023.

	Six months ended 30 September	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)
Sales of goods (i)	6	254
Commission income (ii)	31	90
Other miscellaneous income (iii)	32	30
Purchase of goods (iv)	35	50
Other expenses paid for business cooperation (v)	795	959
Receiving logistic service from Alibaba Group and its associates and JVs	79	19
Receiving technical service from Alibaba Group and its associates and JVs	26	16
Prepayment for acquisition of non-controlling interests (vi)	104	97
Purchase of fixed assets (vii)	1	17
Addition in right-of-use assets on new leases related to Alibaba Group and its associates and JVs	–	34
Interest on lease liabilities related to Alibaba Group and its associates and JVs	1	–*
Other related party transactions		
Expenses related to Employee Trust Benefit Schemes (Note 7(a)(i))	29	–

- (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

27 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party transactions (Continued)

- (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.

(d) Related party balances

	As at 30 September 2024 RMB million (Unaudited)	As at 31 March 2024 RMB million
Amounts due from Alibaba Group and its associates and JVs	163	306
Amounts due from Hwabao (i)	104	–
Amounts due to Hwabao (ii)	(4)	(15)
Amounts due to Alibaba Group and its associates and JVs	(555)	(676)
Lease liabilities related to Alibaba Group and its associates and JVs	(39)	(43)

- (i) As of 30 September 2024, the amount of RMB104 million represents the prepayment for acquisition of non-controlling interests held by Hwabao.
- (ii) As of 30 September 2024, the amount of RMB4 million represents the dividends payable to Hwabao. As of 31 March 2024, the amount of RMB15 million represents the payables to Hwabao, including dividends payable of RMB11 million and the payable in relation to the acquisition of non-controlling interests of RMB4 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2024

28 CONTINGENCIES

As at 30 September 2024, 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 RMB476 million (31 March 2024: RMB498 million). As at 30 September 2024, those legal actions are still ongoing, with most of the cases not yet set for trial dates. Provision of RMB158 million (31 March 2024: RMB192 million) was made within trade and other payables as at 30 September 2024, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

29 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no material subsequent events from 30 September 2024 to the approval date of the interim financial information by the Board of Directors on 12 November 2024.

30 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.