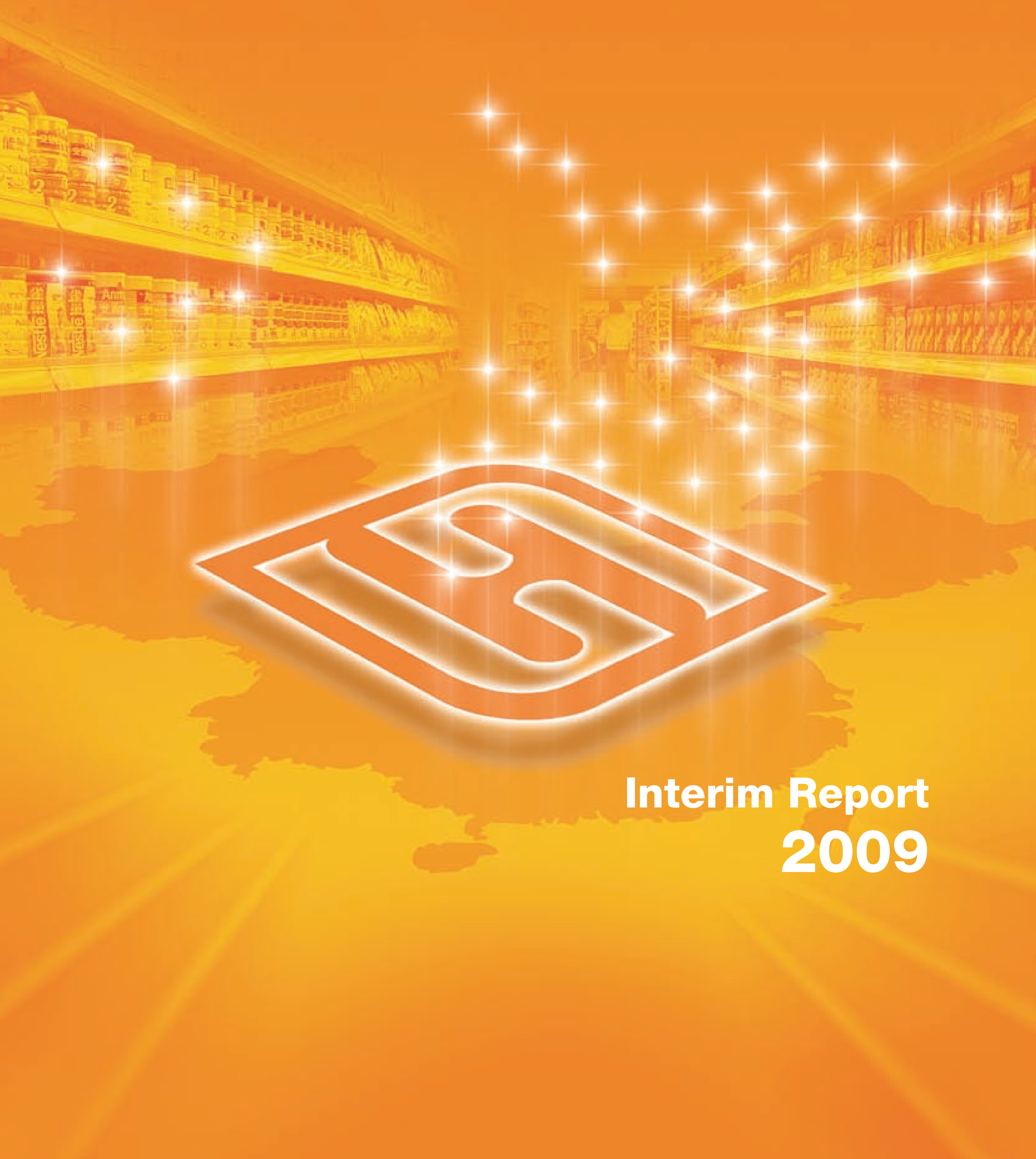
联华超市股份有限公司

LIANHUA SUPERMARKET HOLDINGS CO., LTD.

Stock Code: 0980



Interim Report 2009

Contents

Corporate Information

Directors

Executive Directors

Mr. Wang Zhi-gang
Mr. Liang Wei
Ms. Xu Ling-ling
Ms. Cai Lan-ying

Non-Executive Directors

Mr. Ma Xin-sheng *(Chairman)*
Mr. Xu Bo
Mr. Koichi Narita (resigned on 2 September 2009)
Mr. Wong Tak Hung
Mr. Hua Guo-ping
Mr. Kazuyasu Misu (appointed on 2 September 2009)

Independent Non-Executive Directors

Mr. Lee Kwok Ming, Don
Mr. Zhang Hui-ming
Mr. Xia Da-wei

Board Committees

Audit Committee

Mr. Lee Kwok Ming, Don *(Chairman)*
Mr. Zhang Hui-ming
Mr. Xia Da-wei
Mr. Hua Guo-ping

Remuneration and Appraisal Committee

Mr. Xia Da-wei *(Chairman)*
Mr. Zhang Hui-ming
Mr. Hua Guo-ping

Strategic Committee

Mr. Wang Zhi-gang *(Chairman)*
Mr. Ma Xin-sheng
Mr. Koichi Narita (resigned on 2 September 2009)
Mr. Zhang Hui-ming

Nomination Committee

Mr. Zhang Hui-ming *(Chairman)*
Mr. Xia Da-wei
Mr. Hua Guo-ping

Supervisors

Mr. Chen Jian-jun
Mr. Wang Long-sheng
Mr. Dao Shu-rong

Joint Company Secretaries

Ms. Xu Ling-ling
Mr. Stephen Mok

Authorized Representatives

Mr. Liang Wei
Ms. Xu Ling-ling

International Auditors

Deloitte Touche Tohmatsu

Legal Advisors to the Company

As to Hong Kong Laws
Stephen Mok & Co.
in association with Eversheds

As to PRC laws
Grandall Legal Group (Shanghai)

Investors and Media Relations Consultant

Christensen International Limited

Principal Bankers

Industrial and Commercial Bank of China
Pudong Development Bank
China Merchants Bank

Corporate Information

Registered and Business Office

Registered Office in the PRC
11th to 15th Floors
1666 Sichuan (North) Road
Shanghai
The PRC

Place of Business in the PRC
5th to 13th Floors
No. 1258 Zhen Guang Road
Shanghai, PRC

Place of Business in Hong Kong
26th to 27th Floors
Harcourt Building
39 Gloucester Road
Wanchai
Hong Kong

Telephone

86-21-5262 9922

Fax

86-21-5279 7976

Company Website

www.lhok.com.cn

Shareholder's Enquiries

Contact Information of the Company

Department of Securities Affairs

Tel: 86-21-5278 9576
Fax: 86-21-5279 7976

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Information

Listing Place

The Stock Exchange of Hong Kong Limited
(Stock Exchange)

Listing Date

27 June 2003

SEHK Stock Code

980

Number of H shares Issued

207,000,000 H shares

Year-end Date

31 December

Management Discussion and Analysis

Operating Environment

Being affected by the financial crisis, China's economy met the adversity during the period from November 2008 to March 2009. Chain supermarkets in the PRC was under considerable pressure arising from the slowdown of sales growth, which was particularly caused by a sharp price drop in the commodities of grease, meat and poultry as compared to those of the corresponding period, the decreasing Consumer Confidence Index and the weakening consumer sentiment.

In order to mitigate the impact of international financial crisis, the PRC government speedily implemented a proactive fiscal policy and a moderately ease monetary policy to stimulate the domestic economic growth. In the programs of "direct deal between farmers and supermarkets", "more supermarkets in rural areas", "shopping vouchers" and "stimulating villagers' consumption of household electrical appliance" launched by the central and local governments, chain supermarkets served as a channel for these purposes and shared the growth driven by such kind of policies.

The signs of steady rebound already emerged in the PRC economy. According to the statistics published by the National Bureau of Statistics of China, GDP and the total retail sales of consumer products in China for the first half year of 2009 increased by 7.1% and 15% over those in the corresponding period of 2008 respectively. Excluding the pricing factor, the actual growth of retail sales of consumer products was 16.6%, up 3.7 percentage points as compared to the corresponding period.

The Group believes that China's domestic consumption will continue to grow steadily in line with a number of improvements, including China's economic recovery, the growth in the income of China's urban citizens, gradual increase in consumer confidence, regain of employment rate of urban citizens, and financial improvement due to a rebound of the capital market.

Financial Review

Growth in turnover and consolidated revenues

For the six months ended 30 June 2009, the Group recorded a turnover of RMB10,976.10 million, representing a growth of 2.21% as compared with the corresponding period of 2008, and same store sales decreased by 1.7%. Being affected by the slump in the prices of consumer goods and sluggish consumption sentiment, the growth of the same store sales faced great pressure in the first half of the year. In the second quarter, along with the upturn in economy and regain of consumers' confidence, there were signs that the same store sales may be recovering month by month. Despite strong pressure on the same store sales and reduction in the number of direct operation stores of supermarkets, the overall turnover in the first half of the year still recorded a slight increase, which reflected the effectiveness of the Group's unremitting business transformation and the improving operation.

With a view to stimulating consumer confidence and strengthening the customers' shopping sentiment, the Group adopted proactive sales and marketing activities in the first half of the year to give benefit to consumers. In the meantime, the Group focused on the effectiveness of its sales and marketing activities and the correctness of pricing strategies to strictly control the avoidable gross profit loss. During the period, a gross profit of approximately RMB1,432.39 million was recorded, representing a decrease of 0.10% as compared to the corresponding period of previous year, and the gross profit margin slightly decreased by 0.3 percentage point to 13.05% as compared to the previous year. During the period under review, the Group proactively launched the centralized procurement and procurement from the places of origin which have helped increase the merchandise-related income. During the period under review, the consolidated gross profit (note) of the Group increased by 0.3 percentage point as compared to that of the previous year, and the consolidated gross profit margin rose to 19.7%.

Management Discussion and Analysis

During the period under review, the consolidated revenues of the Group grew steadily and reached RMB2,585.66 million with the consolidated revenues margin increasing by 1.08 percentage points to 23.56%. The growth in consolidated revenues mainly resulted from the increased consolidated gross profit, and the growth in rental income generated by the reasonable planning and marketing strategies in business solicitation. Also, the continuous promotion of membership system drove the commission income up. Meanwhile, the Group proactively utilized the sufficient capital and adopted the centralized cash management strategies, so that the growth in cash earnings could come into view.

Note: Consolidated gross profit = Gross profit + Incomes from suppliers

Operating cost and net profit

In the first half year of 2009, the total distribution cost of the Group grew by 7.68% as compared to the corresponding period of previous year. The administrative expenses decreased by 0.32% and the overall cost ratio slightly increased by approximately 0.90 percentage point as compared to that of the same period of the previous year. There was still an upward pressure from some of the items of major operating costs such as labour cost and rental cost, and the Group unremittingly promoting the usage of energy-saving equipment to establish energy-saving and environmental outlets, which realized the reasonable control over overall expenses and the decrease in individual costs including utilities charges and administrative expenses.

As at 30 June 2009, the Group recorded an operating profit of RMB317.74 million, representing a growth of 25.78% as compared with the corresponding period of 2008.

During the period, the share of results of associated companies was approximately RMB62.37 million, slightly decreased by 3.68%. Among which, Shanghai Carhua Supermarket Company Limited ("Shanghai Carhua") was affected by the sluggish economic environment, and some of its new outlets opened last year were still in the initial development stage, resulting in a slight decrease in profit. As at 30 June 2009, Shanghai Carhua operated 19 hypermarkets in the Shanghai region.

During the period, the Group recorded a total net profit attributable to the Company's shareholders of RMB249.70 million, representing an increase of 10.02% over that in the corresponding period of 2008. As at 30 June 2009, the net profit margin attributable to the Company's shareholders was 2.27% and earnings per share were RMB0.40.

Cash flow

In the first half year of 2009, the Group's net cash outflow from operating activities reached RMB462.74 million, cash and miscellaneous bank balances as at the period-end amounted to RMB6,680.74 million. The sufficient cash provided good support to the operational capability for commodities and expansion of outlets.

As at 30 June 2009, the turnover period of the Group's trade payables was 59 days. Inventory turnover period was approximately 37 days.

During the period under review, the Group did not use any financial instrument for hedging purposes and the Group did not issue any hedging instrument as at 30 June 2009.

Management Discussion and Analysis

Growth in retail business

Hypermarkets

During the period, turnover of the Group's hypermarkets increased by approximately 8.18% when compared with the corresponding period of 2008 to RMB6,645.95 million, which accounted for approximately 60.6% of the Group's turnover, and gross profit margin decreased slightly to 11.84%. Same store sales decreased by 0.99%. Segment operating profit was approximately RMB114.09 million, representing an increase of RMB29.50 million over that in the corresponding period of 2008. The operating profit margin increased slightly by 0.34 percentage point when compared with the corresponding period of 2008. Under the financial crisis, the low-price strategy of hypermarkets catered more to the customers' preference. Hence, the recovery of the same store sales was more explicit than that of the other two business segments.

	As at 30 June	
	2009	2008
Gross Profit Margin (%)	**11.84**	12.00
Consolidated Revenues Margin (%)	**22.35**	22.17
Operating Profit Margin (%)	**1.72**	1.38

Supermarkets

During the period under review, being affected by the decrease in the number of direct operation stores and the change in consumption preference of some customers, the turnover of the Group's supermarkets decreased by about 5.27% when compared with the corresponding period of 2008 to RMB3,520.78 million, accounting for approximately 32.1% of the Group's turnover. The gross profit margin was 14.74%. Same store sales declined by 2.97%. The consolidated revenues margin reached 23.18% resulting from the steady growth in consolidated revenues caused by the improvement in suppliers' strategy and the strengthened transformation. Segment operating profit was RMB151.30 million.

	As at 30 June	
	2009	2008
Gross Profit Margin (%)	**14.74**	15.01
Consolidated Revenues Margin (%)	**23.18**	21.51
Operating Profit Margin (%)	**4.30**	4.51

Management Discussion and Analysis

Convenience Stores

During the period under review, the convenience stores of the Group temporarily ceased the business of 90 direct operation stores for transformation, which partially caused the decrease in overall turnover. During the period, the Group's convenience stores recorded a turnover of RMB761.84 million, which accounted for approximately 6.9% of the Group's turnover, and the same store sales decreased by 1.71%. The merchandise mix of the transformed stores was much more optimized while the value-added services effectively expanded the income sources. During the period, the gross profit margin decreased slightly to 15.00% and a growth in the consolidated revenues margin by 0.56 percentage point.

	As at 30 June	
	2009	2008
Gross Profit Margin (%)	**15.00**	15.48
Consolidated Revenues Margin (%)	**23.60**	23.04
Operating Profit Margin (%)	**2.10**	2.16

Analysis of financial results

	For the six months ended 30 June		
	RMB million		
	2009	2008	Change comparing with the corresponding period of last year *(%)*
Turnover	**10,976.10**	10,738.58	2.21
Gross profit	**1,432.39**	1,433.83	-0.10
Consolidated revenues	**2,585.66**	2,413.62	7.13
Operating profit	**317.74**	252.61	25.78
Taxation	**88.18**	55.82	57.97
Profit for the period attributable to the Company's shareholders	**249.70**	226.95	10.02
Earning per share (RMB)	**0.40**	0.36	11.11
Interim dividend per share (RMB)	**0.12**	0.10	20.00

Management Discussion and Analysis

Capital structure

As at 30 June 2009, the Group's cash equivalents were mainly held in Renminbi, and the Group did not have any borrowings, except bank's funds received from discounting note receivables generated from internal transactions.

During the period under review, equity attributable to shareholders of the Group increased from approximately RMB2,890.58 million to approximately RMB3,067.90 million, which was mainly due to the increase in profit amounting to RMB291.93 million and dividends distribution amounting to RMB114.62 million during the period.

Details of the Group's pledged assets

As at 30 June 2009, the Group did not have any pledged assets.

Exposure to foreign exchange risk

Most of the income and expenditures of the Group are denominated in Renminbi. During the period under review, the Group had not experienced any material difficulties or negative effects on its operations or liquidity as a result of fluctuation in currency exchange rates. The Group has not entered into any agreements or purchased any financial instruments to hedge the foreign exchange risks of the Group. The Board believes that the Group is able to meet its foreign exchange requirements.

Share capital

As at 30 June 2009, the issued share capital of the Company was as follows:

Class of shares	Number of shares in issue	Percentage
Domestic shares	355,543,000	57.16
Unlisted foreign shares	59,457,000	9.56
H shares	207,000,000	33.28
Total	622,000,000	100.00

Contingent liabilities

As at 30 June 2009, the Group did not have any material contingent liabilities.

Management Discussion and Analysis

Operating Review

Quality network development

During the period under review, the Group continued to implement the network development strategy of centralization and good quality by finishing the development of new outlets and seeking for new locations. The Group launched 260 outlets including 2 hypermarkets in Shanghai and Ningbo City. Supermarkets and convenience stores were expanded mainly by way of increasing franchised outlets. At the same time, directly operated outlets of high quality were opened in the central parts of cities. There were 103 new supermarkets, including 97 franchised outlets and 155 new convenience stores, including 133 franchised outlets.

The Group paid high attention to the quality of the new outlets, and made good preparation for it in spite of the economic doldrums. It conducted professional market surveys, identified the right market position, revised the design of display, and activated the operation of system in order to ensure the successful preparation for opening new outlets. Meanwhile, the Group strived to develop the new outlets in line with the latest competition pattern when operating them. For example, the Group managed new hypermarkets on the basis of independent outlet pricing. The prices for some merchandises being sold in specific market areas were even adjusted even twice a day in order to avoid any response lag, and ensure sufficient customers for outlets. The Group also established the “manpower support bases for new outlets”. Certain well-developed outlets were selected as the training bases to ensure enough manpower supply. In the initial stage of new outlets, the Group identified its targeted consumer groups and built up the brand image with its members as main sales targets. Century Mart’s first outlet in Ningbo City market achieved remarkable results by realizing a sales amount of over RMB4.40 million just on the opening day and attracting more than 51% shoppers as it’s members.

During the period under review, supermarkets and convenience stores steadily developed directly operated outlets, in middle-end and high-end residential areas and commercial areas. In the countryside and modern rural areas, franchise stores were opened and further individualized promotion were used. Franchise outlets of supermarkets and convenience stores represented 71% and 54% of the total outlets, respectively.

As at 30 June 2009, the Group had a total of 3,932 outlets, in which approximately 83% of outlets were located at Eastern China region.

	Hypermarkets	Supermarkets	Convenience Stores	Total
Direct operation	126	517	938	1,581
Franchised operation	–	1,263	1,088	2,351
Total	126	1,780	2,026	3,932

Management Discussion and Analysis

Expanding procurement channels

In face of the economic slowdown and the market environment of deteriorating consumer sentiment, the Group kept a close eye on the changing consumer needs, and sought business opportunities in the slump. We focused on differentiated merchandises, such as high cost-effective goods and imported commodities, in the way of purchasing from the places of origin or buy up so as to better meet our customers' demands by optimizing the composition of suppliers, expanding procurement channels and creating new marketing approaches.

During the period under review, the Group strived to enhance its capacity of fresh product operation, especially the sale of vegetables and fruits. It pushed the development of fresh product base and bulk procurement for higher distribution efficiency and better quality of fresh products. For instance, the Group centralized the fruit purchase for its hypermarkets and supermarkets in Shanghai that supplies for these two segments were integrated for centralized negotiation, execution and bidding. Under this system, the bid of the lowest price can be found, and inspection, acceptance and distribution are conducted in accordance with unified quality criteria. After using the bulk purchase, the Group now enjoys the benefit of large-scale procurement. In Shanghai, the number of outlets supplied by way of centralized distribution has increased, while fruit quality can be further guaranteed. As a result, the total sales amount of fruits grew by approximately 30% as compared with that of the corresponding period.

To enrich merchandise mix and reduce intermediary processes and purchase cost, the Group's merchandise purchase department proactively developed more channels in a number of ways. It participated in the National Confectionery & Beverages Commodities Trade Fair by way of direct purchase, and visited producers in European countries for buying merchandises. The Group also held "European Commodities Trade Fair and Exchange Conference", "Specific Brand Commodities Trade Fair", and "Fashion Commodities Promotion Exhibition", in which its shop managers and procurement staff of various kinds of formats directly joined them, assessed the merchandises and entered into negotiation to identify consumers' needs accurately. The expansion of procurement channels enabled the Group to source more merchandises with local color, low-price goods, and imported commodities. As such, the Group can diversify its merchandise mix, differentiate itself, and has more rooms for enhancing merchandise sales revenue.

For the purpose of further reduction in merchandise cost, in the period under review, the Group strengthened the research and analysis on the development of its system of procurement and the buying conditions of different areas for continuously optimizing procurement terms and policy in line with the local conditions.

Enhancement of management capability

During the period under review, the Group continuously implemented its "Strong Outlet" strategy and focused on the enhancement of fundamental operational capability so as to assure good merchandise operation and smooth logistics and distribution work.

In view of the continuous negative growth in consumer price index, the Group emphasized more on the wider application of automatic stock replenishment technology. Through exploration for the deep system development, the Group commenced an in-depth study on the parameters of system. The Group also channeled more effort into the analysis of module development in order to reduce some commodities and optimize merchandise mix. The independent replenishment of promotional merchandises was developed to satisfy the specific inventory needs of outlets, make the orders of goods more reasonable, and incessantly optimize the structure of inventory.

Management Discussion and Analysis

During the period under review, by using a B2B platform, the Group started to implement an improvement plan for key suppliers. Based on the data provided by the B2B platform, the Group periodically held theme seminar with key upstream suppliers to tackle the problems arising from the introduction of new products, shortage and procurement, and to strengthen the strategic cooperative relationships with them. Our problem-solving with them motivated all suppliers to handle the issues jointly for a steady growth in order adequacy rate.

Deepening outlet transformation

During the period under review, the Group transformed 23 supermarket outlets, with the total number of transformed outlets reaching 279. These outlets, together with the newly opened outlets set up according to the standards of transformed outlets, accounted for 70% of the total directly operated supermarkets. To cater for consumers' constant demand on the quality of transformed outlets, deepening transformation of transformed outlets has become the priority of future transformation. Deepening transformation refers to the further fragmentation of the merchandise structure, further optimization of merchandise price and further improvement of the services of outlets in order to meet the ever-changing consumer's demands.

In the convenience store business, 90 outlets completed transformation in the first half of the year. The transformation objective of convenience store business is to create outlets with reasonable setting and trendy image. At the same time, the merchandise categories of the outlets are more relevant to the consumer groups. The additional facilities for value-added services, such as financial and multimedia services, have attracted more young consumer groups. Compound type outlet model makes convenience store more attractive and more completed in its income model. During the period under review, handling charges from the use of facilities for added services inside the stores have increased markedly.

Currently, the Group's convenience store business has its outlets further developed into different types, including the office type, school type, entertainment venue type, community type, transportation hub type, hospital type and business centre type. Developing the added value of convenience of various types of outlets will become the priority of the Group's convenience store transformation.

Innovative marketing model

Innovative marketing model appeals to consumers on an ongoing basis. During the period under review, the Group proactively sought breakthrough and innovation in marketing approaches; broke away from the limitation of "bargain price for individual unit", and adopted creative marketing approaches like "package promotion – overall reduction of prices of related merchandise" and "quantity promotion – the more one buys, the higher the discounts". Meanwhile, the Group also developed merchandise suitable for online shopping through an e-commerce platform to cope with changes in the way consumers shop and thereby promoting sales growth.

During the period under review, convenience store business introduced the cartoon image-little Q. Marketing and promotion campaign plans were drawn up with little Q as the business' unique endorser. Derivative merchandise, such as Little Q note books, key chains and figurines were given out in various promotion activities of convenience store business. Customers might have a chance to get the free little Q products or redeem the products at low prices when shopping for merchandise. With little Q as a medium, the interactive modes between Quik Convenience and suppliers, merchandise and customers have become more diversified. The brand idea of "Quik, my happy moment" has been vividly interpreted.

Management Discussion and Analysis

IT system integration

To increase synergy from multi-businesses and cross-regional development, the Group embarked on the information system infrastructure optimization project, and introduced SOA fundamental data structure, integrated cross business and regional information system. These enabled a smoother and more efficient system connection, enhanced the real-time data transmission between systems and improved transmission accuracy during the period under review. At the same time, we applied SAN centralized storage structure and improved the capacity and efficiency for processing a huge amount of data. The implementation of this project laid a solid foundation for the continuous development of information systems, effectively enhanced the speedy information handling capacity in the course of multi-business and cross-regional development.

During the period under review, the Company further integrated and optimized its business and finance systems, planned and built a series of business application systems supporting multi-business and cross-regional business, which include intensive headquarter business system, standardized regional business system, uniform and coordinated stock replenishment platform, uniform supplier service platform, uniform settlement and contract management platform. To cope with the system platform integration, the Group promoted the application of business intelligence (BI) analysis system and data analysis model, developed decision-making and statement analysis system, and provided information support for business analysis and strategic decision-making.

Internal control management

The Group has been committed to establishing sound internal control system so as to continue to improve its risk control capability. Taking into account the domestic and foreign regulation on the internal control of enterprises as well as its business characteristics, the Group continuously optimized its internal control system. During the period under review, the Group commenced internal control investigation and research on all its businesses and business regions and organized amendment to the 09 version of internal test outline. Upon amendment, the 09 version of test outline was further divided into 17 segments with 792 testing points and has strengthened the control of key sections in a more comprehensive and stringent manner. Meanwhile, according to the requirements of the internal control group, the Group conducted self-inspection of all its business and business regions in the first half of the year and prepared self-inspection report. Due to the continuous progress in internal control work, the Group's management at all levels has become more mature in terms of the awareness of internal control, and the prospective of internal control has been getting closer to the professional functions of all the departments.

Preparation for the World Expo

To better capture the business opportunities brought about by Expo 2010 Shanghai and assume the responsibility of representing the national image and acted as retail window, the Group actively promoted the transformation of its own environment, made adjustment to its merchandise mix and conducted employee training so as to make preparation for the World Expo. It accelerated the pace of transformation of outlets around the business centers and the World Expo Park, optimized shopping environment and strengthened quality management. For the key outlets in the peripheral area of the planned World Expo Park, emphasis will be placed on the standardization of seller's advertisements and way of display, and the improvement of the standard application level of the visual identification system so as to create a comfortable and convenient shopping atmosphere. The Group also provided English and sign languages trainings to the service counter staff and shopping-guide, set out and amended the conduct and etiquette standards and commenced training on occupational etiquettes.

Management Discussion and Analysis

Employment, training and development

As at 30 June 2009, the Group had a total of 49,640 employees, representing an increase of 206 employees during the period under review. Total staff costs amounted to RMB801.52 million. Remuneration for the Group's employees was determined on the basis of their performance, experience and practice in the industry. Apart from basic salary, welfare allowances and performance bonus, the Group also provides its full-time employees with housing welfare, medical allowance, periodic medical checkup and other subsidies. The Group also contributes to the retirement benefit schemes organized by the government and makes monthly contributions for its employees to these schemes in accordance with the policies of the PRC.

During the period under review, the Group actively reacted to the market changes, rationalized and adjusted the organizational structure as well as position structure of headquarters, and amended the departmental functions and responsibilities of different positions, so as to enhance the working efficiency of staff and departments and maintain the healthy growth of the business. In the meantime, it focused on the continuous optimization of its strategic human resources system by formulating the cultivation scheme of middle and senior management personnel pursuant to the "Provisional Regulation on Human Resources Development and Cultivation and Retaining of Talents" of the Group. In addition, based on its human resources strategic planning, the Group formulated and implemented the training plan for fundamental management personnel, which covered the subjects of occupational norms, skills and developments. Also, in accordance with Group's performance assessment management system, the Group devised the performance assessment proposal for the year. During the period under review, in order to further enhance the operational skills of frontline employees, the Group organized the nationwide competition for operational skills, and accredited and awarded the skilled employees who improved significantly in skills under the mentorship system of last year.

During the period under review, the Group actively responded to the government's call for improving employment conditions. It participated in various employment policies implemented by the government to stabilize the staff team, and rationalize the staff deployment.

Strategy and planning

Although the headline CPI was in a downtrend in the first half of the year, its decrease has been decelerating. There have been signs that China's economy has stabilized and begun to recover. We believe that economic recovery will benefit the development of retail enterprises. Furthermore, Shanghai will host 2010 Word Expo, governments and the business community will organize unprecedented welcoming activities with the advent of the World Expo. This will undoubtedly boost the consumer market, and bring about enormous opportunities and growth potential for the Group's Eastern China business.

In the second half year of 2009, the Group will continue to adhere to its quality and focused development strategy. In Eastern China and markets the Group has already tapped into, the Group will open quality new outlets under the dual development models of direct operation and franchises. At the same time, the Group will pay close attention to the integration opportunities brought about by market changes. Bailian Group has defined the strategy of using the Group as the platform to rapidly develop the chain supermarket business. Subject to the premise of benefiting all the shareholders, and by leveraging Bailian Group's extensive business resources and good cooperation relationship with the government, the Group will enlarge its cooperation with Bailian Group in market exploration and merchandise business so as to explore new room for growth.

Management Discussion and Analysis

The continuous consolidation and improvement of the Group's established advantages will be one of the Group's important means to improve its results in the second half of the year and over the long-term. Currently, the Group's convenience stores, supermarkets and hypermarkets have established absolute leading advantages in the main regions and key cities in Eastern China. In the second half of the year, the Group will focus on studying the strategy to improve the results in its priority regions, and will in particular attach much importance to business consolidation: the Group will first define the working flow for consolidation and organize the integration and optimization of systems so that they will provide impetus for the ongoing improvement of the Group's results.

In the second half of this year, the Group will focus on any opportunity for retail industry arising from the market recovery, and further implement the "Strong Outlet" strategy to ensure stable business development and results improvement. The Group will continue to enhance the capability of fresh product operation through a fine combination of procurement modes, including procurement from places of origin, strategic co-operation with suppliers, market-oriented sourcing and merchandising tender so as to reduce our purchasing cost and develop a supply chain of fresh products which can ensure stable supply and consistency in quality. Moreover, the Group will remain strict in the implementation of cost and capital expenditure control so as to ensure sound cash position and optimize asset management. Also, the establishment of logistics and distribution centers in Jiangqiao district will be speeded up to improve the supply chain system intensively.

The work of "Welcome to World Expo" will be our main task in the second half of this year. The Group will seize all market opportunities arising before, during and after the World Expo Shanghai through the activities of "Welcome to World Expo". This exposition in Shanghai will not only bring in a myriad of customers, but will also bring a new life into the whole city, which may stimulate the development of the peripheral regions. As a major retail enterprise in that region, the Group will make every effort to grasp this rare golden opportunity for improving its capability.

Other Data

Disclosure of interests

Directors, Chief Executive and Supervisors of the Company

As at 30 June 2009, none of the directors, chief executive or supervisors of the Company had any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are regarded 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 referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

As at 30 June 2009, Mr. Hua Guo-ping, Mr. Xu Bo and Mr. Wang Long-sheng (being a director and supervisor of the Company) are directors, supervisors or employees of Shanghai Friendship Group Incorporated Company ("Shanghai Friendship") and/or Shanghai Industrial United (Group) Commercial Network Development Company Limited ("Shanghai Industrial Commercial Network"). As disclosed below, these companies had interests in the shares of the Company as at 30 June 2009 as recorded in the register required to be kept under section 336 of the SFO.

Substantial Shareholders of the Company

So far as the directors are aware, as at 30 June 2009, the following persons (not being a director, chief executive or supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Class of shares	Number of domestic Shares/unlisted Foreign shares/ H shares	Approximate percentage of voting rights of the Company (%)	Approximate percentage of voting rights of domestic shares/unlisted foreign shares (%)	Approximate percentage of voting rights of H shares (%)
Shanghai Friendship (Note 2)	domestic	211,640,000	34.03%	51.00%	–
Shanghai Industrial Commercial Network (Note 1)	domestic	131,683,000	21.17%	31.73%	–
Bailian Group (Notes 1 & 3)	domestic	131,683,000	21.17%	31.73%	–

Other Data

Name of shareholders	Class of shares	No. of domestic Shares/unlisted Foreign shares/ H shares	Approximate percentage of voting rights of the Company (%)	Approximate percentage of voting rights of domestic shares/unlisted foreign shares (%)	Approximate percentage of voting rights of H shares (%)
Mitsubishi Corporation	unlisted foreign shares	41,900,000	6.74%	10.10%	–
Arisaig Greater China Fund Limited (Note 6)	H shares	40,146,000 (L)	6.45% (L)	–	19.39% (L)
Arisaig Partners (Mauritius) Limited (Note 6)	H shares	40,146,000 (L)	6.45% (L)	–	19.39% (L)
Cooper Lindsay William Ernest (Note 6)	H shares	40,146,000 (L)	6.45% (L)	–	19.39% (L)
Schroder Investment Management (Hong Kong) Limited	H shares	14,546,000 (L)	2.34% (L)	–	7.02% (L)
JPMorgan Chase & Co.	H shares	12,471,000 (L) 12,418,000 (P)	2.00% (L) 2.00% (P)	– –	6.02% (L) 6.00% (P)
Matthews International Capital Management, LLC	H shares	12,451,000 (L)	2.00% (L)	–	6.01% (L)
Pioneer Investment Management Limited	H shares	12,439,000 (L)	2.00% (L)	–	6.01% (L)
Julius Baer International Equity Fund	H shares	12,191,558 (L)	1.96% (L)	–	5.89% (L)
The Dreyfus Corportation	H shares	10,525,000 (L)	1.69% (L)	–	5.08% (L)

(L) = Long position
(S) = Short position
(P) = Lending pool

Other Data

Notes:

1. As at 30 June 2009, Bailian Group beneficially owns 100% interests in Shanghai Industrial Commercial Network. Accordingly, Bailian Group is deemed to have the interests of the Company. Mr. Xu Bo, a non-executive director of the Company, is the chairman of the board of directors of Shanghai Industrial Commercial Network.

2. As at 30 June 2009, Mr. Hua Guo-ping, a non-executive director of the Company, is the executive director of Shanghai Friendship. Mr. Wang Long-sheng, a supervisor of the Company, is an executive director and general manager of Shanghai Friendship.

3. As at 30 June 2009, Mr. Ma Xin-sheng, a non-executive director of the Company, is the chairman of the board of directors of Bailian Group.

4. Arisaig Partners (Mauritius) Ltd is a fund managing institute of Arisaig Greater China Fund Limited. Arisaig Partners (Mauritius) Ltd. is indirectly held by Cooper Lindsay William Ernest.

Save as disclosed above, the directors are not aware of any persons holding any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register pursuant to section 336 of the SFO as at 30 June 2009.

The legal status of unlisted foreign shares

The summary of legal opinion given by Grandall Legal Group on the rights attached to unlisted foreign shares (the "Unlisted Foreign Shares") is set out as follows. Although the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (the "Mandatory Provisions") provide the definitions of "domestic shares", "foreign shares" and "overseas listed foreign shares" (these definitions have been adopted in the articles of association of the Company (the "Articles of Association")), the rights attached to the Unlisted Foreign Shares (which are subject to certain restrictions on transfer as referred to the prospectus and may become H shares of the Company (the "H Shares") upon obtaining the requisite approvals from, among others, the China Securities Regulatory Commission (the "CSRC") and the Stock Exchange, are not expressly provided for under the existing PRC laws or regulations. However, the creation by the Company and the subsistence of the Unlisted Foreign Shares do not contravene any PRC laws or regulations.

At present, there are no express laws and regulations in the PRC governing the rights attached to the Unlisted Foreign Shares. Grandall Legal Group advises that until new laws or regulations are introduced in this aspect, the holders of the Unlisted Foreign Shares shall enjoy the same ranking as the holders of the domestic shares of the Company (in particular, in respect of the rights to attend and vote at general meetings and class meetings and to receive notice of such meetings in the same manner as the holders of the Domestic Shares), except that the holders of the Unlisted Foreign Shares enjoy the following rights to which the holders of the Domestic Shares are not entitled:

(a) to receive dividends declared by the Company in foreign currencies; and

(b) in the event of the winding up of the Company, to remit their respective shares of the remaining assets (if any) of the Company out of the PRC in accordance with the applicable foreign exchange control laws and regulations in the PRC.

Other Data

No provision is made for the settlement of disputes between the holders of the Unlisted Foreign Shares and the holders of the Domestic Shares in the Mandatory Provisions or in the Articles of Association. According to the PRC laws, in the case of disputes between the holders of the Unlisted Foreign Shares and the holders of the Domestic Shares, if there is no settlement after negotiation or mediation, either party may choose to resort to an arbitration commission in the PRC or any other arbitration commission to conduct arbitration for dispute resolution pursuant to a written arbitration agreement. If there is no prior arbitration agreement and the parties are not able to reach an agreement in respect of the arbitration of their disputes, either party may bring suit in the PRC courts with competent jurisdiction.

According to the requirements under Clause 163 of the Mandatory Provisions and the Articles of Association, in general, disputes between the holders of the H Shares and the holders of the Domestic Shares are required to be settled through arbitration. Such dispute resolution requirements are equally applicable to disputes between the holders of the H Shares and the holders of the Unlisted Foreign Shares.

As advised by Grandall Legal Group, the following conditions must be satisfied before the Unlisted Foreign Shares can be converted into new H Shares:

(a) the expiry of a period of one year from the date on which the Company was converted from a limited company into a joint stock limited company and listed on a stock exchange;

(b) the approvals from the original approval authority or authorities in the PRC for the establishment of the Company being obtained by the holders of the Unlisted Foreign Shares for the conversion of the Unlisted Foreign Shares into H Shares;

(c) the approval from the CSRC being obtained by the Company for the conversion of the Unlisted Foreign Shares into new H Shares;

(d) the approval being granted by the Stock Exchange for listing of and permission to deal in the new H Shares converted from the Unlisted Foreign Shares;

(e) the approval being granted by the shareholders of the Company at a general meeting and the holders of the H Shares, the Domestic Shares and the Unlisted Foreign Shares at their respective class meetings to authorize the conversion of the Unlisted Foreign Shares into new H Shares in accordance with the Articles of Association; and

(f) full compliance with the relevant PRC laws, rules, regulations and policies governing companies incorporated in the PRC which seek permission to list their shares outside the PRC and with the Articles of Association and any agreement among the shareholders of the Company.

Upon satisfaction of all the conditions mentioned above and other conditions as may be imposed from time to time by the Stock Exchange, the Unlisted Foreign Shares may be converted into new H Shares.

Other Data

Purchase, sales and redemption of shares

Since the listing of the Company's shares on 27 June 2003 on the Stock Exchange to the date of this interim report, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

Interim dividend

On 25 August 2009, the Board has declared the payment of an interim dividend of RMB0.12 (including tax) per share for the six months ended 30 June 2009.

Connected transactions

The following transactions of the Group constitute connected transactions under Chapter 14A of the Listing Rules, mainly concerning:

Continuing connected transactions – rental agreements

(i) The rental agreement dated 30 September 2003 entered into between Century Lianhua as the lessee and Shanghai Friendship Shopping Center Development Co., Ltd. ("SFSC") as the lessor in respect of the leasing of No. 88, Xian Xia West Road, Chang Ning District, Shanghai, the PRC. The annual rent under this rental agreement for each of the three years ending 31 December 2011 is subject to an annual cap of RMB16,700,000, details of which were set out in the announcement of the Company dated 28 November 2008. Century Lianhua is a subsidiary of the Company and SFSC is a subsidiary of Shanghai Friendship, a substantial shareholder of the Company and thus such transactions constitute continuing connected transactions of the Company.

(ii) The rental agreement dated 3 December 2002 and the supplemental rental agreement dated 31 December 2008 entered into between Century Lianhua as the lessee and Homemart Decoration and Materials Co., Ltd. ("Homemart") as the lessor in respect of the leasing of No. 645, Xie Tu Road, Lu Wan District, Shanghai, the PRC. The annual rent (inclusive of management fee of RMB1,125,000 per year) of the premises for the periods from 1 January 2009 to 25 July 2012, from 26 July 2012 to 25 July 2017 and from 26 July 2017 to 25 July 2022 are RMB3,150,000 per year, RMB3,307,500 per year and RMB3,472,875 per year, respectively, details of which were set out in the announcement of the Company dated 31 December 2008. Since Homemart is a subsidiary of Shanghai Friendship, a substantial shareholder of the Company and thus such transactions constitute continuing connected transactions of the Company.

Other Data

(iii) The rental agreement dated 13 February 2004 and the supplemental rental agreement dated 26 June 2009 entered into between Century Lianhua as the lessee and Homemart as the lessor in respect of the leasing of No. 1875, Ji Yang Lu, Pudong New District, Shanghai, the PRC. The amount of rent and management fees per quarter from 1 July 2009 to 30 September 2022 are adjusted as follows:

	Rent and management fees per quarter payable by Century Lianhua	Rent per quarter payable by Century Lianhua	Management fees per quarter payable by Century Lianhua
1 July 2009 to 30 September 2010	1,522,500.00	706,250.00	816,250.00
1 October 2010 to 30 September 2012	1,598,625.00	706,250.00	892,375.00
1 October 2012 to 30 September 2013	1,598,625.00	739,062.50	859,562.50
1 October 2013 to 30 September 2016	1,678,556.30	739,062.50	939,493.80
1 October 2016 to 30 September 2017	1,762,484.10	739,062.50	1,023,421.60
1 October 2017 to 30 September 2019	1,762,484.10	773,515.60	988,968.40
1 October 2019 to 30 September 2022	1,850,608.30	773,515.60	1,077,092.60

Details of which were set out in the announcement of the Company dated 26 June 2009.

(iv) In March 2009, Bailian Group Co., Ltd. ("Bailian Group") completed the acquisition of 100% equity interests (the "Acquisition") in Shanghai Industrial Commercial Network, a shareholder of the Company. As Shanghai Industrial Commercial Network owned 131,683,000 domestic shares in the Company, representing 21.17% of the Company's equity interests, the rental transactions set out in the following table constituted continuing connected transactions of the Company after completion of the Acquisition:

Date of agreement & supplemental agreement(s) (if any)	Property	Term	Rental & payment method	Historical rental
1. 12 December 2008	Portion of ground floor, No. 277 Xingguo Road, Xuhui District, Shanghai, the PRC (The property is used by the Company as supermarket)	From 1 October 2008 to 30 September 2010	• First Year Monthly Rental: RMB35,000 • Second Year Monthly Rental: RMB37,500 • The rental is payable by the relevant subsidiary of the Company on a quarterly basis	For the year ended 31 December 2006: RMB360,000 For the year ended 31 December 2007: RMB375,000 For the year ended 31 December 2008: RMB390,000

Other Data

Date of agreement & supplemental agreement(s) (if any)	Property	Term	Rental & payment method	Historical rental
2. 28 September 1998, 4 May 2008 and 1 October 2008	No. 615 Jianguo West Road, Shanghai, the PRC (The property is used by the Company as supermarket)	From 1 November 2008 to 31 October 2013	• For the period from November 2008 to October 2009: RMB409,400 per year • For the period from November 2009 to October 2010: RMB419,400 per year • For the period from November 2010 to October 2011: RMB443,400 per year • For the period from November 2011 to October 2012: RMB467,400 per year • For the period from November 2012 to October 2013: RMB491,400 per year • The rental is payable by the relevant subsidiary of the Company on a quarterly basis	For the year ended 31 December 2006: RMB381,066.67 For the year ended 31 December 2007: RMB391,066.67 For the year ended 31 December 2008: RMB401,066.67

Other Data

Date of agreement & supplemental agreement(s) (if any)	Property	Term	Rental & payment method	Historical rental
3. 15 April 2002	No. 604, Julu Road, Shanghai, the PRC (The property is used by the Company as supermarket)	From 15 April 2002 to 14 April 2010	• For the period from 15 April 2002 to 14 April 2004: RMB280,000 per year • For the period from 15 April 2004 to 14 April 2006: RMB300,000 per year • For the period from 15 April 2006 to 14 April 2008: RMB320,000 per year • For the period from 15 April 2008 to 14 April 2010: RMB340,000 per year • The rental is payable by the relevant subsidiary of the Company on a quarterly basis	For the year ended 31 December 2006: RMB313,333.33 For the year ended 31December 2007: RMB320,000 For the year ended 31 December 2008: RMB333,333.33
4. 1 July 2008	Portion of Ground Floor, No. 462 Shangzhong West Road, Xuhui District, Shanghai, the PRC (The property is used by the Company as convenience store)	From 1 August 2008 to 31 July 2009	• Monthly Rental: RMB8,333 • The rental is payable by the relevant subsidiary of the Company on a quarterly basis	For the year ended 31 December 2006: RMB78,712 For the year ended 31 December 2007: RMB80,000 For the year ended 31 December 2008: RMB88,333

Other Data

Date of agreement & supplemental agreement(s) (if any)	Property	Term	Rental & payment method	Historical rental
5. 14 December 2005	Portion of Ground Floor, No. 429 Wuyi Road, Changning District, Shanghai, the PRC (The property is used by the Company as convenience store)	From 15 June 2006 to 31 March 2009	• For the period from 15 June 2006 to 31 March 2007: RMB106,914	For the year ended 31 December 2006: RMB135,049
			• For the period from 1 April 2007 to 31 March 2009: RMB148,554	For the year ended 31 December 2007: RMB145,987
			• The rental is payable by the relevant subsidiary of the Company on a quarterly basis	For the year ended 31 December 2008: RMB148,554
6. 15 September 2006	Portion of area located within Bailian Central Shopping Plaza at No. 1288 Zhenguang Road, Shanghai, the PRC (The property is used by the Company as hypermarket)	From 21 December 2006 to 20 December 2026	• First year to the third year rental: RMB11,988,750 per year	For the year ended 31 December 2007: RMB14,202,055
			• Fourth year onward: 5% increment as calculated from the previous three-year period for every three-year period thereafter	For the year ended 31 December 2008: RMB15,000,000
			• Management Fee: RMB3,011,250 per year	

Details of which were set out in the announcement of the Company dated 2 March 2009.

Other Data

Continuing connected transactions – logistic services agreement

As a result of the Acquisition, the logistic services agreement dated 31 December 2008 entered into between the Company and Shanghai Brilliance Distribution Co., Ltd ("Brilliance Distribution") (the "logistic Services Agreement"), a subsidiary of Bailian Group, became continuing connected transactions of the Company.

Pursuant to the Logistic Services Agreement, Brilliance Distribution agreed to provide logistics and distribution services, including services of in-town distribution, allocation and return of goods, out-town distribution and warehouse management, to the Company for the period from 1 January 2009 to 31 December 2009.

The storage and distribution fee to be charged by Brilliance Distribution under the Logistic Services Agreement shall be based on a comprehensive fee rate of not more than 2.4% of the total amount of the goods which are timely delivered.

Details of which were set out in the announcement of the Company dated 2 March 2009.

Continuing connected transactions – property management agreement

As a result of the Acquisition, the property management agreement dated 19 April 2007 (the "Property Management Agreement") entered into between the Company and Shanghai Bailian Property Management Co., Ltd ("Bailian Property"), a subsidiary of Bailian Group, became continuing connected transactions of the Company.

Pursuant to the Property Management Agreement, Bailian Property agreed to provide property management services, including cleaning and sanitary services, maintenance and repair services, security and safety services and greening and planting services, to the property located at No.1258 of Zhen Guang Road, Shanghai, the PRC for the period from 1 April 2007 to 31 December 2009. The property is used by the Company as office building.

The property management fee charged by Bailian Property under the Property Management Agreement is RMB345,654.12 per month.

Details of which were set out in the announcement of the Company dated 2 March 2009.

Other Data

Continuing connected transactions – electricity payment arrangement agreement

As a result of the Acquisition, the electricity payment arrangement agreement dated 1 July 2008 (the "Electricity Payment Agreement") entered into between the Company and Shanghai Bailian Central Shopping Plaza Co., Ltd ("Bailian Central"), an associate of Bailian Group, became continuing connected transactions of the Company.

Pursuant to the Electricity Payment Arrangement Agreement, the Company shall make payment of electricity fee of the property located at 5th, 7th to 14th floors of No. 1258 of Zhen Guang Road, Shanghai, the PRC, according to the national electricity tariff scale as stipulated by the relevant departments of the PRC, to Bailian Central which will subsequently pay such sum to the relevant electricity supplier in the PRC.

The electricity rate was agreed at RMB1.03 per unit. An additional basic power charge of RMB7,800 per month (subject to adjustment as a result of any change in national electricity tariff scale) will be charged for the use of backup power.

Details of which were set out in the announcement of the Company dated 2 March 2009.

Continuing connected transactions – sale and purchase of mobile phones agreement

As a result of the Acquisition, the sale and purchase of mobile phones agreement dated 1 September 2008 (the "Sale and Purchase of Mobile Phones Agreement") entered into between Shanghai Bailian Trading Co., Ltd ("Bailian Trading"), a subsidiary of Bailian Group, and Shanghai Lianhua E-business Co., Ltd ("Lianhua E-business"), a subsidiary of the Company, became continuing connected transactions of the Company.

Pursuant to the Sale and Purchase of Mobile Phones Agreement, Bailian Trading and Lianhua E-business agreed to purchase mobile phones from the suppliers together on an aggregated basis in order to obtain better procurement terms. The term of the Sale and Purchase of Mobile Phones Agreement is from 1 September 2008 to the end of December 2010.

The payment for the purchase of the mobile phones shall be made by the parties individually and separately to the suppliers, regardless of individual purchase or joint purchase. However, in the event that a supplier refuses to handle the purchase payments by both parties in a separate manner, the party with higher volume of purchase may make payment to the supplier for all purchases and then issue a separate value-added tax invoice to the other party for settlement based on the same terms and conditions of purchase offered by the supplier. If there is any sales rebate from the suppliers, the party responsible for making the payment to the suppliers shall provide the other party with the sales rebate in proportion to their respective actual purchase volume.

Details of which were set out in the announcement of the Company dated 2 March 2009.

Other Data

Continuing connected transactions – smart cards arrangement agreement

As a result of the Acquisition, the smart cards arrangement agreement dated 2 July 2007 (the "Smart Cards Arrangement Agreement") entered into between the Company and Bailian Group became continuing connected transactions of the Company.

Pursuant to the Smart Cards Arrangement Agreement, the parties agreed to accept all payments of purchases from the customers by using the smart cards of the other party within their respective sales networks for the period from 2 July 2007 to 31 December 2009. Each party shall charge the other party service fee according to the percentage ranging from 0.5% to 3% of such transaction amounts which are attributable to the other party.

Details of which were set out in the announcement of the Company dated 2 March 2009.

Continuing connected transactions – supply of goods framework agreement

On 25 February 2009, the Company and Bailian Group entered into the supply of goods framework agreement (the "Supply of Goods Framework Agreement"). Pursuant to the Supply of Goods Framework Agreement, Bailian Group and/or its subsidiaries agreed to supply various kinds of goods, including dried meat products, electrical appliances, electrical components, sports products, cosmetic and sanitary products and other domestic products, for sale in the sales outlets of the Company for the period from 25 February 2009 to 31 December 2009 (both days inclusive). The parties will enter into individual supply of goods contracts setting out specific terms including the specific goods to be supplied, the price, the payment terms and schedules and other terms of delivery of goods. Such terms will be consistent with the principles and the terms of the Supply of Goods Framework Agreement.

The pricing for the supply of goods under the Supply of Goods Framework Agreement was determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market price of such goods from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available from independent third parties. Bailian Group and/or its subsidiaries shall pay sales rebates to the Company for the actual sale of the goods by Bailian Group and/or its subsidiaries to the Company under the Supply of Goods Framework Agreement. Such sales rebates to be paid by Bailian Group and/or its subsidiaries to the Company is determined principally by arm's length commercial negotiations between the parties according to the principles of fairness and reasonableness between the relevant parties with reference to the policy of determining sales rebates in the market. However, in any event, such sales rebates shall not be less than 1% of the actual sales figures of such particular type of goods to be supplied by Bailian Group and/or its subsidiaries to the Company under the Supply of Goods Framework Agreement (representing the sales amount including tax of such particular type of goods to be supplied by Bailian Group and/or its subsidiaries to the Company under the Supply of Goods Framework Agreement). There is no maximum amount nor percentage of sales rebate under the Supply of Goods Framework Agreement.

Other Data

It is expected that the maximum aggregate annual transaction amounts under the Supply of Goods Framework Agreement for the year ending 31 December 2009 is RMB95,000,000 which is determined in accordance with (i) the historical transaction amounts for the supply of goods by Bailian Group and/or its subsidiaries in the past; and (ii) the demand in the prevailing market for dried meat products, electrical appliances, electrical components, sports products, cosmetic and sanitary products and other domestic products in the PRC.

Details of which were set out in the announcement of the Company dated 2 March 2009.

All of the percentage ratios of the total amounts of transactions under the aforesaid continuing connected transactions are less than 2.5%. Therefore, the aforesaid continuing connected transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, and are exempted from the compliance with the requirement of obtaining independent shareholders' approval under the Listing Rules.

Connected transaction – sales and purchase agreement

On 26 June 2009, the Company and Shanghai Lianhua Supermarket Development Co., Ltd. (上海聯華超市發展有限公司) ("Lianhua Supermarket Development"), a subsidiary of the Company, entered into the sale and purchase agreement (the "Sales and Purchase Agreement") with Bailian Group and Bailian Group Real Estate Co., Ltd (百聯集團置業有限公司) ("Bailian Real Estate"), a subsidiary of Bailian Group, whereby the Company conditionally agreed to acquire a 99.4% equity interest in Hualian Supermarket Holdings Company Limited (華聯超市股份有限公司) ("Hualian Supermarket") from Bailian Group at a consideration of RMB488,831,631.05; and Lianhua Supermarket Development conditionally agreed to acquire a 0.6% equity interest in Hualian Supermarket from Bailian Real Estate at a consideration of RMB2,950,693.95.

Other Data

Completion of the acquisition under the Sale and Purchase Agreement is subject to and conditional upon the fulfillment of the following conditions precedent:

(1) all approvals and consents of the government authorities which are necessary for effecting the acquisition having been obtained, including but not limited to:

(i) the approval and filing of the valuation report in respect of Hualian Supermarket by the State-owned Assets Commission;

(ii) all necessary approvals for effecting the acquisition issued by the relevant government authorities in accordance with PRC laws and regulations; and

(iii) the approval of the Sale and Purchase Agreement and the transaction contemplated thereunder as required by the Stock Exchange in accordance with the requirements of the Listing Rules.

(2) all internal approvals of the parties to the Sale and Purchase Agreement for the acquisition having been obtained, including but not limited to (subject to relevant laws and articles of association):

(i) the approval by the board of director of Bailian Group;

(ii) the approval by the board of director of Bailian Real Estate;

(iii) the approval by the shareholders of the Company at the extraordinary general meeting; and

(iv) the approval by the board of director of Lianhua Supermarket Development.

(3) the approval of the acquisition by the board of directors and/or the general meeting of Hualian Supermarket;

(4) the statutory procedures for the transfer of Hualian Supermarket under the Sale and Purchase Agreement have been completed; and

(5) all procedures in respect of the acquisition in accordance with the relevant laws and regulations have been satisfied.

Subject to completion of the acquisition under the Sale and Purchase Agreement Hualian Supermarket will become a subsidiary of the Company.

Details of which were set out in the announcement of the Company dated 26 June 2009.

Other Data

Audit Committee

The audit committee of the Company (the "Audit Committee") has considered and reviewed the accounting principles and practices adopted by the Group and has discussed the matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed interim accounts for 2009 of the Company. The Audit Committee considered that the interim accounts for the six months ended 30 June 2009 is in compliance with the relevant accounting standards, the requirements of the Stock Exchange and the Laws of Hong Kong, and the Company has made appropriate disclosures thereof.

Compliance with the Model Code

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by all directors of the Company. After making specific enquiries to all the directors, the Board is pleased to announce that all the directors have fully complied with the provisions under the Model Code during the period under review.

Compliance with the Code on Corporate Governance Practices under Appendix 14 of the Listing Rules

The Board is pleased to confirm that save and except for the Company's practice relating to the directors' retirement by rotation as set out below, the Company has complied with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules for the period under review and, save as set out below, none of the directors is aware of any information that would reasonably indicate that the Company is not or was not for any time of the period under review in compliance with the Code. Details of the deviation are set out as follows:

Provision A4.2 of the Code requires that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The articles of association of the Company provides that each director shall be appointed at the general meeting of the Company and for a term of not more than 3 years, and eligible for re-election. Having taken into account the continuity of the implementation of the Company's operation and management policies, the articles of association contains no express provision for the mechanism of directors' retirement by rotation, thus deviating from the aforementioned provision of the Code.

By Order of the Board
Mr. Ma Xin-sheng
Chairman

26 August 2009, Shanghai, The PRC

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Turnover	4	**10,976,100**	10,738,581
Cost of sales		**(9,543,706)**	(9,304,747)
Gross profit		**1,432,394**	1,433,834
Other revenues	4	**996,694**	868,864
Other income	5	**156,575**	110,924
Selling and distribution expenses		**(2,043,076)**	(1,897,337)
Administrative expenses		**(210,941)**	(211,618)
Other operating expenses		**(10,423)**	(51,398)
Finance costs		**(3,479)**	(660)
Operating profit		**317,744**	252,609
Share of profits of associates	11	**62,371**	64,757
Profit before taxation	6	**380,115**	317,366
Taxation	7	**(88,183)**	(55,824)
Profit and total comprehensive income for the period		**291,932**	261,542
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**249,700**	226,947
Minority interests		**42,232**	34,595
		291,932	261,542
Earnings per share	9		
Basic earnings per share for profit attributable to the owners of the Company		**RMB0.40**	RMB0.36

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	**30 June 2009 (Unaudited) RMB'000**	31 December 2008 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	**2,545,644**	2,516,387
Construction in progress	10	**178,396**	153,088
Land use rights	10	**359,813**	309,519
Intangible assets	10	**176,119**	183,816
Investments in associates	11	**498,840**	437,223
Available-for-sale financial assets	15	**30,158**	30,158
Held-to-maturity financial assets		**84,300**	8,800
Term deposits – unrestricted	16	**680,000**	230,000
Prepaid lease payment	12	**146,299**	134,905
Deferred tax assets		**75,670**	65,239
Other non-current assets		**25,936**	26,697
		4,801,175	4,095,832
Current assets			
Inventories		**1,663,789**	2,270,696
Trade receivables	13	**54,974**	37,551
Deposits, prepayments and other receivables		**475,972**	494,204
Amounts due from associates	14	**802**	532
Available-for-sale financial assets	15	**400,000**	215,000
Financial assets at fair value through profit or loss		**–**	27,706
Term deposits	16		
– Restricted		**1,101,600**	649,000
– Unrestricted		**2,784,000**	2,584,500
Cash and cash equivalents		**2,115,143**	3,326,315
		8,596,280	9,605,504
Total assets		**13,397,455**	13,701,336

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Capital and reserves			
Share capital		**622,000**	622,000
Reserves		**2,024,842**	1,868,442
Equity attributable to owners of the Company		**2,646,842**	2,490,442
Minority interests		**421,054**	400,142
Total equity		**3,067,896**	2,890,584
Non-current liabilities			
Deferred tax liabilities		**52,403**	53,432
Current liabilities			
Trade payables	17	**2,774,554**	3,130,020
Bank borrowings	18	**400,000**	–
Other payables and accruals	19	**1,213,594**	1,515,171
Dividend payable		**93,300**	–
Coupon liabilities	20	**5,569,274**	5,937,430
Deferred income		**30,347**	24,583
Amounts due to associates	14	**3,442**	24,681
Amount due to holding company	21	**39,000**	39,000
Amounts due to other related parties	21	**93,442**	30,788
Taxation payable		**60,203**	55,647
		10,277,156	10,757,320
Total liabilities		**10,329,559**	10,810,752
Total equity and liabilities		**13,397,455**	13,701,336
Net current liabilities		**(1,680,876)**	(1,151,816)
Total assets less current liabilities		**3,120,299**	2,944,016

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital RMB'000	Capital reserve RMB'000 (note a)	Other reserve RMB'000	Statutory common reserve fund RMB'000 (note b)	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008 (audited)	622,000	755,953	3,595	151,899	705,494	2,238,941	351,820	2,590,761
Profit and total comprehensive income for the period	–	–	–	–	226,947	226,947	34,595	261,542
Closure of a subsidiary	–	–	–	–	–	–	(4,000)	(4,000)
2007 final dividend	–	–	–	–	(74,640)	(74,640)	(16,907)	(91,547)
At 30 June 2008 (unaudited)	622,000	755,953	3,595	151,899	857,801	2,391,248	365,508	2,756,756
At 1 January 2009 (audited)	**622,000**	**755,953**	**3,595**	**173,755**	**935,139**	**2,490,442**	**400,142**	**2,890,584**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**249,700**	**249,700**	**42,232**	**291,932**
2008 final dividend	**–**	**–**	**–**	**–**	**(93,300)**	**(93,300)**	**(21,320)**	**(114,620)**
At 30 June 2009 (unaudited)	**622,000**	**755,953**	**3,595**	**173,755**	**1,091,539**	**2,646,842**	**421,054**	**3,067,896**

Notes:

(a) Capital reserve of the Group mainly represents premium arising from issue of H shares net of share issuance expenses.

(b) Pursuant to the relevant regulations of the People's Republic of China ("PRC") and the Articles of Association of the companies within the Group, each of the companies within the Group is required to transfer 10% of its profit, as determined under the PRC accounting regulations, to statutory common reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

The statutory common reserve fund shall only be used to offset previous years' losses, to expand its production operations, or to increase its capital. The statutory common reserve fund may be converted into the capital, provided the balance of the reserve fund after such conversion is not less than 25% of the registered capital.

No transfer has been made to the statutory common reserve fund in respect of the net profit for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil). The transfer will be made at the year end based on the annual profit and upon Directors' approval.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	**(462,741)**	(382,745)
Net cash used in investing activities	**(1,037,463)**	(175,556)
Net cash from (used in) financing activities	**289,032**	(20,907)
Net decrease in cash and cash equivalents	**(1,211,172)**	(579,208)
Cash and cash equivalents at 1 January	**3,326,315**	5,022,277
Cash and cash equivalents at 30 June	**2,115,143**	4,443,069

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention, except for financial instruments that are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the application of HK(IFRIC)-Int 13 "Customer Loyalty Programmes" in relation to the Group's customer loyalty programmes as described below.

In current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008 except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 to HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

2. **Significant Accounting Policies** (continued)

HKAS 23 (Revised) "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009)

HKAS 23 (Revised) requires the Group to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. However, HKAS 23 (Revised) has had no impact on the reported results or financial position of the Group. Accordingly, no adjustment has been required.

HK(IFRIC)-Int 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)

The adoption of HK(IFRIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (loyalty points), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between sale of goods or services in the initial sale and the loyalty points. The fair value of the customer loyalty points generated from the initial sales transaction is measured by reference to fair value and recorded in "deferred income" in current liability. The adoption of HK(IFRIC)-Int 13 has had no impact on the reported results and financial position of the Group. Accordingly, no prior period adjustment is recognised.

HKFRS 8 Operating Segments (effective for annual period beginning on or after 1 January 2009)

HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The adoption of HKFRS 8 has not resulted in a redesignation of the reportable segment of the Group and has had no impact on the reported results or financial position of the Group.

HKAS 1 (Revised) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

2. Significant Accounting Policies (continued)

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 other than the amendment to paragraph 80 to HKAS 39[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[4]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will not have material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

3. Segment Information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

The identification of the Group's reportable segments under HKFRS 8 is consistent with the prior years' presentation of business segments under HKAS 14. Information reported to the Group's general manager who is the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on three main operations as follows:

- Hypermarkets chain operation
- Supermarkets chain operation
- Convenience Stores chain operation

There are no significant sales or other transactions between the business segments. Other operations of the Group mainly comprise sales of merchandise to wholesalers; provision of logistic services for wholesale business; and sales through internet.

The following is an analysis of the Group's revenue (include turnover and other revenue) and results by operating segment for the periods under review:

	Segment revenue Six months ended 30 June		**Segment results Six months ended 30 June**	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	**2009 (Unaudited) RMB'000**	2008 (Unaudited) RMB'000
Hypermarkets	**7,292,842**	6,724,696	**114,089**	84,586
Supermarkets	**3,776,207**	3,922,981	**151,303**	167,749
Convenience Stores	**825,707**	846,606	**15,973**	17,061
Other operations	**78,038**	113,162	**64,944**	20,475
	11,972,794	11,607,445	**346,309**	289,871

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

3. Segment Information (continued)

A reconciliation of total segments results to consolidated profit before taxation is provided as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment results	**346,309**	289,871
Interest income	**17,746**	7,658
Other unallocated corporate income	**–**	5,879
Unallocated corporate expenses	**(46,311)**	(50,799)
Share of profits of associates	**62,371**	64,757
Consolidated profit before taxation	**380,115**	317,366

All of the segment revenue reported above is from external customers.

All of the Group's revenue and segment results is attributable to customers in the PRC. Segment results did not include share of results of associates, allocation of headquarter income and expenses (including certain interest income relating to funds managed centrally). This is the measure reported to the Group's general manager for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by operating segment:

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Segment assets		
– Hypermarkets	**7,394,088**	7,537,454
– Supermarkets	**3,413,184**	3,913,089
– Convenience Stores	**290,113**	364,494
– Other operations	**146,141**	73,542
Unallocated segment assets	**1,655,089**	1,375,534
Total segment assets	**12,898,615**	13,264,113
Investments in associates	**498,840**	437,223
Total assets	**13,397,455**	13,701,336

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

4. Turnover and Other Revenues

The Group is principally engaged in the operation of chain stores including hypermarkets, supermarkets and convenience stores. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Turnover		
– Sales of merchandise	**10,976,100**	10,738,581
Incomes from suppliers (including promotion, display and other services income)	**729,765**	644,532
Gross rental income from leasing of shop premises	**218,874**	178,526
Royalty income from franchised stores	**24,379**	24,022
Commission income from coupon redemption in other retailers	**23,676**	21,784
	996,694	868,864
Total revenues	**11,972,794**	11,607,445

5. Other Income

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income	**115,612**	32,577
Government subsidies	**7,359**	15,546
Fair value gain (realised and unrealised) on financial assets at fair value through profit or loss	**203**	27,910
Gain on disposal of available-for-sale financial assets	**1,258**	3,898
Salvage sales	**9,619**	16,025
Others	**22,524**	14,968
Total	**156,575**	110,924

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

6. Profit Before Taxation

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Amortisation and depreciation		
Amortisation of other non-current assets	**761**	887
Amortisation of intangible assets – software (included in selling and distribution expenses/administrative expense) (Note 10)	**8,662**	9,752
Amortisation of land use rights (Note 10)	**3,787**	3,447
Depreciation of property, plant and equipment (Note 10)	**240,866**	222,973
	254,076	237,059
Loss on disposal of property, plant and equipment	**451**	25,135
Share of profits of associates		
Profit before taxation	**(86,954)**	(86,444)
Taxation	**24,583**	21,687
	(62,371)	(64,757)
Operating lease rental in respect of land and buildings	**611,061**	569,320
Staff costs	**801,523**	729,196
Impairment of property, plant and equipment (Note 10)	**–**	10,618
Store closure expenses and provision	**1,166**	1,410

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

7. Taxation

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax		
– Current taxation	**99,643**	87,226
– Deferred taxation	**(11,460)**	(31,402)
	88,183	55,824

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits subject to Hong Kong profits tax.

PRC income tax is calculated based on the statutory income tax rate of 25% (six months ended 30 June 2008: 25%) of assessable income of the subsidiaries based on the relevant PRC tax rules and regulations except for certain subsidiaries which are taxed at preferential rates ranging from 0% to 20% (six months ended 30 June 2008: 0% to 18%).

8. Dividend

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Interim dividend, declared, of RMB0.12 (2008: RMB0.10 for 2008) per share	**74,640**	62,200

An interim dividend in respect of 2009 of RMB0.12 (six months ended 30 June 2008: RMB0.10 for 2008) per share amounting to a total of RMB74,640,000 (six months ended 30 June 2008: RMB62,200,000) has been declared by the Board on 25 August 2009. This interim dividend has not been included as a liability in these condensed consolidated financial statements as it was declared after the end of the reporting period.

At a meeting held on 9 April 2009, the Directors proposed a final dividend of RMB0.15 per share for the year ended 31 December 2008, totaling RMB93,300,000 (at a meeting held on 16 April 2008, the Directors proposed a final dividend of RMB0.12 per share for the year ended 31 December 2007), which was approved by the shareholders on 27 May 2009 and has been reflected as an appropriation of retained profits for the six months ended 30 June 2009. The amount has not yet been paid as at 30 June 2009.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

9. Earnings Per Share

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company) (RMB'000)	**249,700**	226,947
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**622,000,000**	622,000,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

10. Major Capital Expenditure

	Property, plant and equipment RMB'000	Construction in progress RMB'000	Land use rights RMB'000	Intangible assets: Goodwill RMB'000	Intangible assets: Software RMB'000	Intangible assets: Total RMB'000
Opening net book amount as at 1 January 2008 (audited)	2,583,134	171,561	284,429	144,044	49,897	193,941
Additions	178,018	43,245	36,181	–	7,553	7,553
Transfers	50,436	(50,436)	–	–	–	–
Disposals	(27,741)	–	–	(635)	(238)	(873)
Depreciation/amortisation charge (Note 6)	(222,973)	–	(3,447)	–	(9,752)	(9,752)
Impairment charge (Note 6)	(10,618)	–	–	–	–	–
Closing net book amount as at 30 June 2008 (unaudited)	2,550,256	164,370	317,163	143,409	47,460	190,869
Opening net book amount as at 1 January 2009 (audited)	**2,516,387**	**153,088**	**309,519**	**145,199**	**38,617**	**183,816**
Additions	**123,347**	**31,486**	**90,440**	**–**	**495**	**495**
Acquisition of a subsidiary	**144,899**	**–**	**–**	**–**	**–**	**–**
Transfers	**5,708**	**(6,178)**	**–**	**–**	**470**	**470**
Disposals	**(3,831)**	**–**	**(36,359)**	**–**	**–**	**–**
Depreciation/amortisation charge (Note 6)	**(240,866)**	**–**	**(3,787)**	**–**	**(8,662)**	**(8,662)**
Closing net book amount as at 30 June 2009 (unaudited)	**2,545,644**	**178,396**	**359,813**	**145,199**	**30,920**	**176,119**

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

11. Investments In Associates

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Share of net assets other than goodwill	**492,053**	430,436
Goodwill	**6,787**	6,787
	498,840	437,223

The aggregated amounts of the Group's share of interests in the assets, liabilities, turnover and profit of its associates, all of which are unlisted, were as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Assets	**1,335,627**	1,441,662
Liabilities	**(843,574)**	(1,011,226)
Net assets	**492,053**	430,436

	Six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Audited) RMB'000
Turnover	**1,349,150**	1,380,067
Profit for the period	**62,371**	64,757

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

12. Prepaid Lease Payments

Prepaid lease payments represent prepaid rental for store premises which will be charged to income statement after 1 year.

13. Trade Receivables

The aged analysis of the trade receivables at the reporting date arising mainly from sales of merchandise to franchised stores and wholesalers and with credit terms ranging from 30 to 60 days, are as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 30 days	**42,181**	29,021
31-60 days	**9,260**	8,294
61-90 days	**1,341**	17
91 days – one year	**2,192**	219
	54,974	37,551

14. Amounts Due from/to Associates

Amounts due from/to associates represent balances arising from expenses paid on behalf of certain associates and purchase of merchandise from associates respectively. Balances are all aged within 90 days and the credit terms range from 30 to 90 days. Such balances with associates are unsecured and interest free.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

15. Available-for-Sale Financial Assets

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Current		
Unlisted money market investments (note a)	**400,000**	215,000
Non-current		
Legal person shares (note b)	**1,112**	1,112
Unlisted equity investments (note c)	**29,046**	29,046
	30,158	30,158
Total	**430,158**	245,158

Notes:

(a) The effective interest rate of the money market investments were ranged from 1.9% to 4.14% (2008: 4.5% to 4.52%) per annum. Based on the terms, the investments will be repaid within 6 months. The net cash paid to acquire unlisted money market investment during the period amounted to RMB185,000,000 (six months ended 30 June 2008: RMB80,000,000).

(b) These represent investments in legal person shares of certain PRC listed companies.

(c) These represent investments in certain unlisted companies in the PRC.

16. Term Deposits

All term deposits, which are denominated in Renminbi, are placed with banks in the PRC. The deposits in current assets are the deposits with maturity over 3 months but within 1 year. The deposits in non-current assets are those with maturity over 1 year but not exceeding 5 years. The net increase in term deposits during the period amounted to RMB1,102,100,000 (six months ended 30 June 2008: RMB649,000,000).

As at 30 June 2009, term deposits included restricted cash amounting to RMB1,101,600,000 (2008: RMB649,000,000). The restricted cash represents deposits placed by a subsidiary to various banks which are held as security for coupon issued to customers and are not available for other use by the Group. The effective interest rate on time deposits was ranged from 2.25% to 5.40% (2008: 3.33% to 5.40%) per annum. The carrying amounts of the term deposits of the Group approximate their fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Trade Payables

The following is an aged analysis of trade payables at the reporting date:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 30 days	**2,495,150**	2,707,495
31-60 days	**221,213**	313,875
61-90 days	**51,679**	75,704
91 days – one year	**6,512**	32,946
	2,774,554	3,130,020

18. Bank Borrowings

The amount represents the Group's advances from several banks with full recourse in total amount of RMB400,000,000 (31 December 2008: nil) in respect of intergroup company bills receivable arising from intra group transactions between the Company and a subsidiary. The advances carried market interest rate ranged from 1.5% to 1.55% (2008: nil). The advances will be repayable before December 2009 and were classified as current liabilities.

19. Other Payables and Accruals

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Other payables	**1,054,948**	1,402,708
Store closure provision	**44,462**	50,883
Accruals	**97,219**	11,558
Advance from customers	**16,965**	50,022
	1,213,594	1,515,171

20. Coupon Liabilities

Coupon liabilities are recorded as liabilities when coupons are sold. Coupons surrendered in exchange for products of the Group during the period are recognised as sales and transferred to the consolidated statement of comprehensive income using the coupon sales value. Certain coupons surrendered in exchange for products or services of other retailers which have agreements with the Group are settled and paid to these retailers after deducting the Group's commission based on the agreements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

21. Amount Due To Holding Company/Amounts Due To Other Related Parties

Amount due to holding company represents the balance due to Shanghai Friendship Group Incorporated Company, which is unsecured and bears interest at 2.85% per annum. The amount had been repaid on 13 July 2009.

Amounts due to other related parties represent the balances due to the related companies controlled by the ultimate holding company in relation to purchase and the redemption of the coupons issued by the Group in retail outlets of these related parties. The balances are unsecured and interest free.

22. Acquisition Of A Subsidiary

On 9 February 2009, the Group acquired the entire interest in Hangzhou Zhongdu Supermarket Management Co., Ltd. ("Zhongdu") at a consideration of RMB96,973,000.

Zhongdu was engaged in the business of property investment. The only property of Zhongdu was rented by the Group under operating lease as hypermarket. This acquisition transaction has been accounted for as acquisition of assets as the major assets of Zhongdu are land and buildings.

Assets and liabilities recognised at the date of acquisition:

	RMB'000
Current assets	
Cash and cash equivalents	40,027
Trade and other receivables	29,924
Non-current assets	
Property, plant and equipment	144,899
Current liabilities	
Bank borrowings	(38,800)
Trade and other payables	(35,877)
Non-current liabilities	
Bank borrowings	(43,200)
	96,973
Satisfied by:	
Cash paid	89,723
Consideration payable	7,250
Total consideration	96,973

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

22. Acquisition Of A Subsidiary (continued)

Net cash out flow arising on acquisition:

	RMB'000
Consideration paid in cash	89,723
Less: cash and cash equivalent balances acquired	(40,027)
	49,696

23. Commitments

(1) Capital commitments

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment, construction of buildings and land use rights	**236,935**	389,040

(2) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Not later than one year	**1,002,410**	984,504
Later than one year and not later than five years	**3,866,353**	3,940,035
Later than five years	**7,991,607**	6,743,752
	12,860,370	11,668,291

The operating lease rentals of certain outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

23. Commitments (continued)

(3) Commitments for equity investments

As at 30 June 2009, the Company and its subsidiary Shanghai Lianhua Supermarket Development Co., Ltd. had a commitment to acquire the entire equity interests of Hualian Supermarket Co., Ltd. ("Hualian") held by Bailian Group Co., Limited, the Group's ultimate holding company, and its subsidiary Bailian Group Real Estate Co., Ltd. at a total consideration of RMB491,782,000.

Completion of the above acquisition is subject to and conditional upon the fulfillment of the conditions precedent as disclosed in the announcement dated 26 June 2009.

24. Future Operating Lease Arrangement

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Not later than one year	**254,245**	222,705
Later than one year and not later than five years	**375,797**	315,991
Later than five years	**195,955**	209,805
	825,997	748,501

The minimum lease receipts as set out above mainly relate to leasing of shop premises which are entered into primarily on a short-term or medium-term basis.

25. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Given that the PRC government still owns a significant portion of the productive assets in the PRC despite the continuous reform of the government's structure, the majority of the Group's business activities had been conducted with enterprises directly or indirectly owned or controlled by the PRC government ("state-owned enterprises"). In accordance with the HKAS 24, "Related Party Disclosures", state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are also defined as related parties of the Group. In the normal course of its business, the Group enters into various transactions with one or more of such state-owned enterprises and their subsidiaries.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

25. Related Party Transactions (continued)

Apart from those disclosed under Notes 14 and 21, the Group entered into significant related party transactions during the period, which were carried out in the normal course of the Group's business, as follows:

(a) Related party transactions

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Purchases from associates – Shanghai Lianhua Supermarket Food Co., Ltd., Shanghai Gude Commercial Trading Co., Ltd. and Sanming Taige Information Technology Co., ltd.	(i)	**7,730**	11,342
Purchases from related companies controlled by the ultimate holding company	(i)	**34,147**	–
Rental expenses paid to subsidiaries of holding company and ultimate holding company	(ii)	**22,716**	17,358
Commission income received from related companies controlled by the ultimate holding company	(iii)	**11,171**	9,573

Notes:

(i) The purchase price was determined with reference to the prevailing market prices and the prices charged by those associates and related companies to third parties.

(ii) These represent rental expenses of certain hypermarkets paid to subsidiaries of Shanghai Friendship Group Incorporated Company, the holding company of the Group, and subsidiaries of Bailian Group Co., Ltd., the ultimate holding company of the Group. The rentals were charged in accordance with the terms of the underlying agreements which were entered into with reference to the then prevailing market prices.

(iii) The commission income was received from the related companies controlled by the ultimate holding company in relation to the redemption of the coupons issued by the Group in retail outlets of these related companies. The commissions were charged at rates ranging from 0.5% to 3% of the sales made through the coupons in the retail outlets of these companies.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

25. Related Party Transactions (continued)

(b) *Related party balances with other state-owned enterprises*

Included in the condensed consolidated statement of financial position were balances with other state-owned enterprises as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Current liabilities		
Accounts payable and other liabilities	**180,079**	258,470

All the above balances are unsecured, non-interest bearing and repayable within one year.

In addition, all cash at bank of the Group is deposited at state-owned banks.

(c) *Related party transactions with other state-owned enterprises*

	Six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Purchase of goods	**1,594,354**	1,281,154
Interest income received	**115,612**	32,577
Bank charges	**10,370**	10,224
Interest expenses	**3,479**	660

Related party transactions with other state-owned enterprises were conducted in the normal course of business at market rates.

(d) *Key management compensation*

	Six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Salaries and other short-term employee benefits	**6,788**	4,915
Post-employment benefits	**162**	149
Other long-term benefits	**189**	149
	7,139	5,213

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

26. Controlling Shareholder And Ultimate Holding Company

The Directors regard Shanghai Friendship Group Incorporated Company, a company incorporated and listed in the PRC, as being the controlling shareholder. The Directors regard Bailian Group Company Limited, a state-owned enterprise established in the PRC, as being the ultimate holding company.

27. Comparative Figures

Certain of the comparative figures including other income, prepaid lease payment and deferred income, have been reclassified to conform to the current period's presentation.

28. Authorisation For The Issue Of The Accounts

These unaudited condensed consolidated financial statements were authorised for issue by the Company's Board of Directors on 25 August 2009.