INTERIM REPORT 2015

联华超市股份有限公司
LIANHUA SUPERMARKET HOLDINGS CO., LTD.

Stock Code: 0980

Contents

Corporate Information

Directors

Executive Directors

Mr. Chen Jian-jun (Chairman)
Mr. Hua Guo-ping
Ms. Qi Yue-hong
Mr. Zhou Zhong-qi
Mr. Shi Hao-gang

Non-Executive Directors

Mr. Li Guo-ding (Deputy Chairman)
Ms. Wu Jie-qing
Mr. Wong Tak Hung

Independent Non-Executive Directors

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

Board Committees

Audit Committee

Mr. Lee Kwok Ming, Don (Chairman)
Mr. Xia Da-wei
Mr. Zhang Hui-ming
Mr. Huo Jia-zhen

Remuneration and Appraisal Committee

Mr. Xia Da-wei (Chairman)
Mr. Zhang Hui-ming
Mr. Huo Jia-zhen
Mr. Hua Guo-ping

Strategic Committee

Mr. Chen Jian-jun (Chairman)
Mr. Li Guo-ding
Mr. Hua Guo-ping
Mr. Zhang Hui-ming

Nomination Committee

Mr. Zhang Hui-ming (Chairman)
Mr. Xia Da-wei
Mr. Huo Jia-zhen
Ms. Qi Yue-hong

Supervisors

Mr. Wang Zhi-gang (Chairman)
Ms. Tao Qing
Ms. Qian Li-ping

Joint Company Secretary

Mr. Stephen Mok
Ms. Hu Li-ping

Authorized Representatives

Mr. Hua Guo-ping
Mr. Zhou Zhong-qi

International Auditor

Deloitte Touche Tohmatsu

Legal Advisors to the Company

As to Hong Kong Laws

Eversheds

As to People's Republic of China ("PRC") laws

Grandall Law Firm (Shanghai)

Investors and Media Relations Consultant

Christensen China 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

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No. 1258 Zhen Guang Road
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Place of Business in the PRC

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No. 1258 Zhen Guang Road
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Place of Business in Hong Kong

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Shareholders' Enquiries

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Wanchai
Hong Kong

Share Information

Listing Place

The Stock Exchange of Hong Kong Limited
("Stock Exchange" or "SEHK")

Listing Date

27 June 2003

SEHK Stock Code

980

Number of H Shares Issued

372,600,000 H shares

Financial Year-end Date

31 December

Management Discussion and Analysis

Operating Environment

In the first half of 2015, China's economy moved stable and smooth, yet further improvement was needed in the balance of supply and demand. The retail industry is at the end of the industrial chain, and insufficient investment demand and external demand ultimately affected consumption demand. The operating environment of retailers was extremely tough.

According to the National Bureau of Statistics of the People's Republic of China, in the first half of 2015, China's gross domestic product (GDP) achieved a year-on-year growth of 7.0%. In the first half of 2015, the nominal year-on-year growth rate of nation-wide fixed assets investments was 11.4%, which was the lowest since the nominal growth rate of the nation-wide fixed assets investments dropped below 20.0% in 2014. On the industrial side, the prices of industrial products in the first half of the year dropped. Ex-factory prices in respect of industrial manufacturers dropped 4.6% year on year and purchase prices dropped 5.5% year on year. The total profits realized by nation-wide above-scale industrial enterprises dropped 0.7% year on year. In the first half of the year, industrial investment had a year-on-year growth of 9.3%, which was lower than that of nation-wide fixed assets investment.

In respect of external demand, as indicated by the data from the General Administration of Customs of China, in the first half of 2015, foreign trade exports merely increased by 0.9% which was far below the average level in the previous three years. In addition, foreign trade imports dropped by 15.5% year on year, also demonstrating an insufficient internal demand.

Based on the data from the National Bureau of Statistics, the total retail sales of consumer goods had a year-on-year growth rate of 10.4% in the first half of 2015, representing a slowdown of 1.7 percentage points compared to the same period last year. In particular, the retail sales of consumer goods of enterprises above a designated size totaled RMB6,625.6 billion, with a growth rate of 7.4%, indicating a slowdown of 5 percentage points compared to the same period last year. According to the data announced by the Ministry of Commerce of China, sales of 5,000 major retailers in the first half of 2015 increased by 4.6% year on year, which indicated a slowdown of 1.7 percentage points compared to the same period last year.

During the period under review, consumer prices were suppressed. In the first half of 2015, the total nation-wide consumption price level of resident in China increased by 1.3% compared to the same period last year according to the National Bureau of Statistics. This indicated a 1 percentage point decline in the level of increase compared to the same period last year.

With the impact of economic slowdown, rapid development of e-commerce and consumers' traffic diversion by various types of retail forms, traditional retailers including the Group put higher emphasis on boosting sales, yet the effect was muted and admitted no optimism.

Operating Review

Financial Review

Turnover and consolidated income

During the period under review, the Group focused on deepening reform, innovating and transformation, as well as consolidating its business fundamentals, so as to continuously enhance its operating capability, thereby working through operational bottlenecks and maintaining its market share in the face of intense market competition. While affected by the decline in China's macro-economic growth and the slowdown in consumer demand, the Group recorded a turnover of approximately RMB14,078 million, representing a decrease of 6.3% year over year, and same store sales decreased by 6.31%.

During the period under review, the Group recorded a gross profit of approximately RMB2,117 million, representing a decrease of 2.5% year over year due to the decrease in the turnover. Gross profit margin increased by

Management Discussion and Analysis

0.60 percentage point to 15.04%, which partially offset the decline in gross profit. Gross profit margin continued to increase mainly as a result of the adjustment in the Group's commodity structure and the reduction in procurement costs. In respond to the decreased market demand and intensified competition, the Group continued to optimize and improve its product structure, enhance sales of core merchandise and increase sales of its private-label brands and imported goods. The Group strengthened its cooperation with key suppliers to reduce procurement costs through promoting buyout bid, low-cost exchange and direct sourcing from supply bases.

During the period under review, consolidated income reached approximately RMB3,462 million, representing a decrease of 5.3% year over year. The decrease was mainly attributable to the decline in sales which led to a decrease in gross profit and other revenue year over year.

During the period under review, the Group managed its cash prudently and maintained sufficient cash flow.

Operating cost and net profit

During the period under review, total distribution expenses and total administrative expenses of the Group amounted to approximately RMB3,281,990 thousand, representing a decrease of approximately RMB106,315 thousand or 3.1% year over year, which was mainly attributed to (1) rental expenses decreased by RMB3,389 thousand and depreciation expenses decreased by RMB11,811 thousand; (2) undergoing structural reorganization and optimizing job establishments, as well as reasonable employment and reducing headcounts, decreasing labour costs by RMB11,534 thousand; (3) continuously promoting energy conservation and emission reduction, decreasing energy costs by RMB23,340 thousand. The Group will continue to optimize its management process, fix work posts and define personnel quota, improve staff incentive mechanism and promote outlets contracting to slow down impacts posed by the increase in labour costs.

During the period under review, the Group recorded an operating profit of approximately RMB172,766 thousand, representing a decrease of 26.5% year over year. Operating profit margin decreased by 0.33 percentage point to 1.23% year over year. Under the pressure of the decrease in sales and gross profit year over year, the Group actively promoted the following measures: (1) determining the structure of the core merchandise to further increase its sales; (2) continuously expanding the sale percentage of products sourcing from supply bases, deepening the construction of supply bases and improving store sales by lowering selling price and increasing quality of fresh produce; (3) through adjusting the organization structure and optimizing the employment structure, continuing to push forward the application of energy-saving equipment and actively seeking government support to cope with the challenges of the decline in overall performance.

During the period under review, the Group's share of revenue from associated companies was RMB23,517 thousand, representing a decrease of 18.9% year over year. The sluggish market conditions and tightened policy environment also affected the performance of the Group's associated companies. In addition, new outlets opened in recent years remained in their incubation periods. At the same time, due to the increase in labour costs, increasing operating costs also dragged down the profit of the Group's associated companies. Shanghai Carhua Supermarket Company Limited ("Shanghai Carhua") did not open any new outlets during the period under review. As of 30 June 2015, Shanghai Carhua had a total of 29 outlets.

During the period under review, the tax charge of the Group was RMB114 million, representing an increase of 1.1% year over year. The Group closely monitored the implementation of favorable fiscal policies by the Chinese government and took measures in the purpose of lowering the overall effective tax rate at the Group level by striving for local government funding. However, with the expiration of the preferential tax policy enjoyed by mature outlets,

Management Discussion and Analysis

combined with the requirement of individual outlets to pay taxes separately, which made it impossible for the Group to further lower its tax costs by cross-district tax planning, the Group's effective tax rate was rising.

During the period under review, the Group recorded net profit attributable to the shareholders of RMB21,007 thousand. Net profit margin attributable to the shareholders was 0.15%. The basic earnings per share were approximately RMB0.02 based on the issued share capital of the Group of 1,119.6 million shares.

Cash flow

During the period under review, the Group's net cash outflow was RMB3,449,533 thousand, mainly due to the increase of term deposits. Cash and term deposits as at the end of the period was RMB9,174,837 thousand.

For the six months ended 30 June 2015, account payable turnover days were 59 days, and inventory turnover days were approximately 40 days.

During the period under review, the Group did not use any financial instruments for hedging purposes and did not issue any hedging instruments as at 30 June 2015.

Retail businesses operation

Hypermarkets

Given that there was no obvious improvement in the macroeconomic environment, plus the fierce competition and the increasing impact of internet retail channels on traditional retailers, the Group's existing outlets were heavily impacted. During the period under review, the turnover of the Group's hypermarket segment decreased by approximately 4.3% year over year to RMB8,688,781 thousand, accounting for approximately 61.72% of the Group's turnover. Gross profit margin increased by 0.43 percentage point to 14.95%. Same store sales decreased by 8.0%. Consolidated income margin was 24.80%, representing an increase of 0.12 percentage point year over year. The segment operating profit was RMB51,366 thousand, representing a decrease of approximately 58.4% year over year. Operating profit margin decreased by 0.77 percentage point year over year to 0.59%. To cope with the challenging environment, the Group continuously transformed existing outlets and improved the quality of newly-established outlets in order to further solidify its regional dominance. The Group also improved outlet management through refining its stocking process, improving service quality, optimizing tender items and increasing membership promotion. Concurrently, the Group also integrated marketing resources, actively performed innovative marketing activities and implemented marketing promotions during holidays. Moreover, the Group increased promotional offers for best sellers and new products, and enhanced the image of outlets to further increase sales.

As of 30 June	2015	2014
Gross Profit Margin (%)	14.95	14.52
Consolidated Income Margin (%)	24.80	24.68
Operating Profit Margin (%)	0.59	1.36

Supermarkets

During the period under review, the turnover of the Group's supermarket segment decreased by approximately 9.7% year over year to RMB4,444,427 thousand, which accounted for approximately 31.57% of the Group's turnover. Same store sales decreased by 3.78%. Gross profit decreased by approximately 4.7% year over year to RMB661,810 thousand, and gross profit margin increased by 0.79 percentage point to 14.89%. Consolidated income margin of the supermarket segment was 23.09%, representing an increase of 0.24 percentage point year over year. The segment's operating profit was approximately RMB175,482 thousand, and operating profit margin was 3.95%. During the period under review, constrained by unfavorable factors such as a sluggish macro economy, intense competition from hypermarkets, convenience stores, wet markets, specialty stores and E-commerce, escalating labor costs and a sharp increase in renewal rental costs, this segment was under intense pressure to

Management Discussion and Analysis

promote innovative transformation, enhance performance, and strengthen management. As such, the operational management structure of the Group's supermarket segment was adjusted to enhance outlet control, with a steady opening of new outlets and timely streamlining of underperforming ones to improve competitiveness. Also, a particular focus was put on innovating current outlets to boost sales, primarily through better fresh produce operations, strengthened operational standards and optimized product categories, which brought about improved outlet sales and stable market share.

As of 30 June	**2015**	2014
Gross Profit Margin (%)	**14.89**	14.10
Consolidated Income Margin (%)	**23.09**	22.85
Operating Profit Margin (%)	**3.95**	3.46

Convenience Stores

During the period under review, the turnover of the Group's convenience store segment decreased by approximately 5.3% year over year to RMB934,021 thousand, which accounted for approximately 6.63% of the Group's turnover. Facing challenges from foreign competitors, the Group upgraded its mature outlets, increased investment in convenience store service facilities and enhanced sales of core merchandise. Also, the Group segregated the market by establishing a niche in the high-end market, deepening product optimization, strengthening marketing for core merchandise and services, and exploring opportunities to provide more value-added services. During the period under review, same store sales increased by approximately 0.88%. Gross profit margin was 16.66%, representing an increase of 0.77 percentage point year over year. Consolidated income margin was 23.64%, representing an increase of 1.31 percentage points year over year. Operating profit was at a relatively low level due to high labour and rental cost, as operating loss for the segment was RMB35,256 thousand and operating profit margin dropped to -3.77%. As such, the Group sped up the pace of transformation and improvement for the convenience store segment, further optimized the merchandise structure of existing stores and implemented initiatives towards boosting unit store performance so as to hold the downward trend of this segment in the near future.

As of 30 June	**2015**	2014
Gross Profit Margin (%)	**16.66**	15.89
Consolidated Income Margin (%)	**23.64**	22.33
Operating Profit Margin (%)	**-3.77**	-4.31

Capital structure

As at 30 June 2015, the Group's cash equivalents were mainly held in Renminbi. Except for the bank borrowings of RMB2,000 thousand of a non-wholly-owned subsidiary of the Group, there was no other bank borrowings.

During the period under review, equity interest of shareholders of the Group increased from approximately RMB3,674,386 thousand to approximately RMB3,676,904 thousand, which was mainly due to the profit for the period amounting to approximately RMB82,582 thousand, and dividend payment to non-controlling interests amounting to RMB80,064 thousand.

Details of the Group's pledged assets

As of 30 June 2015, the Group did not pledge any 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 did not experience any material difficulties or negative effects on its operations or liquidity as a result of fluctuation in currency exchange rates. The Group did not enter into any agreements or purchase financial instruments to hedge its foreign exchange risk. The directors believe that the Group is able to meet its foreign exchange requirements.

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Share capital

As of 30 June 2015, the issued share capital of the Company was as follows:

Class of shares	Number of shares in issue	Percentage
Domestic shares	715,397,400	63.90
Unlisted foreign shares	31,602,600	2.82
H shares	372,600,000	33.28
Total	1,119,600,000	100.00

Contingent liabilities

As of 30 June 2015, the Group did not have any material contingent liabilities.

Outlet Development

The Group continued to adhere to its strategy of "Becoming a Regional Leader and a National Strong Player", and has substantiated the deployment of various strategies for its three-year plan. Through transferring the shares of the Group held by Shanghai Baiqing Investment Co., Limited ("Baiqing Investment"), a subsidiary of Shanghai Bailian Group Co., Limited, to Yonghui Superstores Co., Ltd ("Yonghui Superstores"), Yonghui Superstores will become the second biggest shareholder of the Group upon completion of the equity transfer, which will help to optimize the corporate governance structure and market-oriented reform of the Group.

The Group has steadily implemented its centralized development strategy and is committed to making persistent quality improvements in outlet development. The new hypermarkets opened in Zhejiang have further consolidated the Group's leading market position. Furthermore, supermarkets and convenience stores have been optimized through streamlining underperformers, developing franchises, and improving the quality of development. In the first half of the year, the Group opened 87 new outlets and shut down 183 outlets, among which, 134 were franchised stores.

During the period under review, all of the five new hypermarkets launched were located in Zhejiang Province. Notably, one was located in Hangzhou, two were located in Shaoxing, one was located in Wenzhou, and one was located in Lishui, thereby consolidating the market position of the Group in the region.

During the period under review, the Group opened 50 new supermarkets, including 4 directly-operated stores and 46 franchised stores. Also, the development of directly-operated outlets placed greater emphasis on the transformation and reform of existing outlets. The franchising business was committed to sustainable development with Shanghai as the major development area. The close-relationship franchising model was vigorously implemented to increase the weighting in respect of the unified distribution of goods for franchised stores and standardize the operation and management of franchised stores. The quality of franchised stores was improved remarkably. The supermarkets segment continued to maintain its leading stronghold in the Shanghai market.

During the period under review, there were 32 new convenience stores including 5 directly-operated stores and 27 franchised stores. In the first half of the year, the Group's convenience stores emphasized cost control and efficiency, pushed forward ongoing optimization of product offerings with a focus on fresh produce, and imported commodities and private-label products to attract young customers. Concurrently, outlets with little or no growth potential were closed down. Meanwhile, 9 existing outlets underwent drastic developments for the purpose of promoting unit store performance. Despite these efforts, expansion of franchised outlets was below expectation due to increasing rents.

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As of 30 June 2015, the Group had a total of 4,195 outlets, representing a decrease of 96 outlets since the end of 2014 mainly due to the adjustment of franchised stores. Approximately 84.03% of the Group's outlets are located in Eastern China.

	Hypermarkets	Supermarkets	Convenience Stores	Total
Direct operation	159	605	819	1,583
Franchised operation	–	1,769	843	2,612
Total	159	2,374	1,662	4,195

Note: The above figures are as of 30 June 2015.

Deepening Reform

During the period under review, the Group focused on a strategy of "Paying close attention to Reform, Promoting Transformation, Reducing Deficiencies and Creating Benefits" to deepen the reform of its earnings, operation and incentive model. It also undertook reform through aligning its operation strategy with market trends, as well as adapting its remuneration system and employment mechanism to ensure the Group's talent pool remains healthy. With improvements made to ensure sustainable enterprise development, the confidence of employees was enhanced and the economic work has achieved certain development.

In terms of channels, the Group vigorously extended purchase channels, innovated purchase means, implemented order purchases, deepened base construction, expedited the introduction of new products and characteristic products, enhanced the distribution of private-label products, developed a channel for importing goods and increased the sales proportion of source procurement to achieve steady growth in gross profit margin.

In the aspect of regional operation, the Group continued to deepen regional reform, established a comprehensive corporate management structure for its Jiangsu subsidiary, streamlined organizational structure, responsibilities and interests between the Jiangsu subsidiary and headquarters, and determined the market positioning for the Jiangsu subsidiary. Concurrently, the Jiangsu subsidiary proactively established long-term cooperation agreements with large-scale suppliers, optimized its supply chain system, implemented the construction of demo stores, and achieved success in the operational transformation of outlets.

In the aspect of human resources management, the Group vigorously implemented risk mortgage contracts for store managers of hypermarkets. Execution of the risk mortgage contracts has been fully completed for outlets in Shanghai, and the cost control awareness of outlets was notably enhanced. At the same time, the new appraisal scheme for purchasing personnel was implemented, which combined monthly incentives with annual evaluations to encourage the purchasing personnel's structural adjustment. Also, the implementation of an elimination program motivated employees to race to the top. During the period under review, operational efficiency was clearly improved.

Innovative Transformation

During the period under review, the Group's hypermarkets learned operational techniques of fresh produce from industry leaders, implemented improvements to their reformulating operational flow and management systems in respect of fresh produce for display, loss management, stocktaking of commodities, inventory management, and pricing methods, particularly for vegetables, fruit and aquatic products. As a result, not only was the product mix improved, but the appearance of goods and the overall shopping experience have also been enhanced remarkably, receiving positive feedback from customers.

Management Discussion and Analysis

During the period under review, the Group's supermarkets proactively upgraded their operational capacity for fresh produce, reinforced their positions as community supermarkets, reformed certain outlets, expanded the operating area of fresh produce and increased the sales proportion for fresh produce. In the first half of the year, in respect of the supermarket segment in Shanghai, 27 directly-operated stores were reformed. As of 30 June 2015, the sales and operating performance of fresh produce of reformed outlets showed notable improvement and exceeded the overall performance of the Group.

During the period under review, convenience stores focused on the streamlining project named "asset lightening and capacity enhancement", streamlining the inventory of existing outlets, optimizing commodity structure, expediting the development of new products for fresh produce and "Little-Q" branded products, expanding the availability of imported commodities, all of which proactively attracted young customers. Meanwhile, the pilot composite outlets were proactively increased. As of 30 June, the Group's convenience store segment includes 3 composite outlets, the average daily sales of which has successfully reached the level of commercial outlets.

Solid Foundation

During the period under review, in order to ensure that the supply chain of the Group remains highly synergistic, the Group further optimized business flow and improved the management system. On this basis, various measures were implemented with an emphasis on enhancing the integration of the information system. The rate of accuracy and promptness for ordering by outlets were significantly enhanced, while inventory structure was improved, leading to a steady upgrade in the quality of overall operation.

During the period under review, the Group strengthened its ongoing coordination with the Food and Drug Administration, stringently executed the standards for handover examination, increased the frequency of sample checks at factories in respect of the sensitive food factory license as well as the frequency of monthly visits to the outlets, strengthened training for store management personnel and purchasing personnel, built up the awareness of all employees for quality and safety, and strictly applied food safety controls across the board in order to maintain a high level of quality and produce and a good image in the market.

Cost Control and Efficiency Increase

During the period under review, in light of weak consumption demand with rising labor and rental costs, the Group simplified work flow, redefined personnel management with reasonable employment, minimized employees, and increased efficiency through the enhancement of budget management, with stringent control over excessive expenses. The various expenses of all enterprises under the Group are subject to the annual budget so as to obtain effective control of the overall operating cost.

Employment, Training and Development

As of 30 June 2015, the Group had a total of 50,176 employees, a decrease of 2,729 employees during the period under review. The total cost was RMB1,448,868 thousand.

During the period under review, the Group enhanced reasonable arrangement of manpower. On one hand, with diverse employment means, outlet personnel assignment can be adjusted according to the daily business and on the other hand, by simplifying the management flow as well as cutting redundant positions, the Group managed to maximize effective deployment of human resources.

During the period under review, responding to consumption market trends and in anticipation of the era of multi-channel retail, the Group placed greater emphasis on young talents training so as to ensure the sustainable development in the training and reservation of talents. Young and strong management personnels were given more important work

Management Discussion and Analysis

responsibilities so that they could endure the test and grow rapidly.

During the period under review, the training provided by the Group emphasized on solutions for various types of business problems, with on-going provision of training instructions and training resources in support of the business department, coupled with skills enhancement for front-line personnel of all member companies through appraisal of grades and apprenticeship to expedite the cultivation of talents with various kinds of skills.

Strategy and Planning

In the second half of 2015, the Chinese government will continue to implement a series of policies to stimulate internal demand, including further pursuing urbanization, and continuing to adjust the economic structure. It is expected that the annual growth of China's economy will be maintained at approximately 7.0%. According to the latest issue of the China Economic Fact Sheet released by the World Bank on 1 July 2015, the expected growth rate of China's economy is 7.1% in 2015 and will drop to 6.9% in 2017. Therefore, in the opinion of the Group, the consumer market will continue to display a gradual recovery trend in the second half of the year as it rebounds and stabilizes in a reasonable range.

In the second half of the year, the Group will endeavor to further optimize its corporate governance structure via a focus on performance, with the key goal of creating value for shareholders. The Group will also reinforce the establishment of the core team, coupled with on-going deepening cooperation with Yonghui Superstores in the supply chain, so as to learn from and make use of its advanced techniques and experiences in the operation of fresh produce, and fully utilize the benefits of joint purchases and share resources to realize a win-win outcome.

In the second half of the year, the Group will continue to implement various major initiatives related to deepening reform, innovative transformation, solidifying foundations, cost reduction and higher efficiency. The Group will continue to upgrade its marketization operations and adopt more flexible and effective measures to cope with the changes in market demand as well as to promote the sales and operational performance of the Group.

In the second half of the year, the Group will vigorously pursue management structural reform by redefining duties and optimizing management flow and posts to streamline internal structure. This will enhance the efficiency of decision making by the head office as well as service efficiency. Meanwhile, sourcing will be another area of focus with the goal of expanding source procurement, lowering the cost of purchases and optimizing the price control mechanism to promote further improvement in the gross profit margin of sales.

In the second half of the year, the Group will continue to implement outlet transformation and reform, optimize the commodity structure, and increase the proportion of fresh produce being sold. At the same time, the Group will cooperate with the Omni-channel strategy of the major shareholder, Bailian Group Co., Ltd. ("Bailian Group"), to construct an effective O2O business structure, develop online distribution channels, improve consumers' shopping experience and promote the steady growth of customer flow to boost sales.

In the second half of the year, the Group will continue to implement various measures of cost reduction, and endeavor to explore methods to improve management strategy in light of the weak consumption demand, while also reinforcing budget management by controlling various cost expenses within the budget limit and increasing management efficiency by enhancing the cooperation between departments.

Other Data

Disclosure of interests

Directors, Supervisors and Chief Executive of the Company

As at 30 June 2015, save and except Mr. Xia Da-wei, an independent non-executive director, holds 8,694 shares of Shanghai Bailian Group Incorporated Company ("Shanghai Bailian"), none of the directors, supervisors or chief executive 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 of Hong Kong Limited (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 (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

As at 30 June 2015, Mr. Chen Jian-jun and Ms. Wu Jie-qing (Directors of the Company) are directors of Shanghai Bailian. As disclosed below, Shanghai Bailian had interests in the shares of the Company as at 30 June 2015 as recorded in the register required to be kept under section 336 of the SFO.

Other Data

Substantial Shareholders of the Company

So far as the directors are aware, as at 30 June 2015, 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	No. of domestic shares/unlisted foreign shares/ H shares	Approximate percentage of total voting rights of the Company	Approximate percentage of voting rights of domestic shares and unlisted foreign shares	Approximate percentage of voting rights of H shares
Shanghai Bailian (Notes 1,2 & 3)	domestic shares	617,981,400	55.20%	82.73%	–
Baiqing Investment (Notes 1&2)	domestic shares	237,029,400	21.17%	31.73%	–
Bailian Group (Notes 3)	domestic shares	715,397,400	63.90%	95.77%	–
JPMorgan Chase & Co.	H shares	39,492,014 (L)	3.53% (L)	–	10.59% (L)
		752,000 (S)	0.07% (S)	–	0.20% (S)
		21,762,214 (P)	1.94% (P)	–	5.84% (P)
Coronation Global Fund Managers (Ireland) Ltd.	H shares	37,130,454 (L)	3.32% (L)	–	9.97% (L)
Coronation Fund Managers Limited	H shares	31,813,800 (L)	2.84% (L)	–	8.54% (L)
Platinum Asia Fund	H shares	26,623,887 (L)	2.38% (L)	–	7.15% (L)
Platinum Investment Management Limited	H shares	26,439,000 (L)	2.36% (L)	–	7.10% (L)
The Boston Company Asset Management, LLC	H shares	24,228,000 (L)	2.16% (L)	–	6.50% (L)
Julius Baer International Equity Fund	H shares	21,944,804 (L)	1.96% (L)	–	5.89% (L)
Citigroup Inc.	H shares	21,728,721 (L)	1.94% (L)	–	5.83% (L)
		2,073,000 (S)	0.19% (S)	–	0.55% (S)
		19,568,596 (P)	1.74% (P)	–	5.25% (P)
Morgan Stanley	H shares	20,667,988 (L)	1.85% (L)	–	5.54% (L)
		4,864,025 (S)	0.43% (S)	–	1.30% (S)
		0 (P)	0% (P)	–	0.00% (P)

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

Other Data

Notes:

1. As at 30 June 2015, Shanghai Bailian owned 100% interests in Baiqing Investment.

   On 8 April 2015, 17 April 2015 and 13 May 2015, Baiqing Investment entered into an equity transfer framework agreement, equity transfer contract and supplement contract with Yonghui Superstores, pursuant to which, Baiqing Investment conditionally agreed to transfer 237,029,400 unlisted domestic shares to Yonghui Superstores at the price of HKD4.01 per domestic share. The equity transfer is subject to the satisfaction of the conditions precedent to the contract. As at the date of this report, the equity transfer is not completed. Please refer to the announcement of the Company dated 20 April 2015 for details of the equity transfer.

2. As at 30 June 2015, Bailian Group directly and indirectly held approximately 49.26% of the shares in Shanghai Bailian. Therefore, Bailian Group is deemed to have interest in the Company.

   As at 30 June 2015, Shanghai Bailian held an aggregate of 617,981,400 shares of the Company, out of which 380,952,000 shares of the Company were held directly, and 237,029,400 shares of the Company were held through Baiqing Investment.

   As at 30 June 2015, Mr. Chen Jian-jun, chairman of the Company, was a director of Shanghai Bailian,. Ms. Wu Jie-qing, a non-executive director of the Company, was a director of Shanghai Bailian.

   As at 30 June 2015, Mr. Chen Jian-jun, the chairman of the Company, was the vice president of Bailian Group.

3. On 19 December 2014 and 21 January 2015, Shanghai Bailian entered into an equity exchange agreement and a supplement agreement with Bailian Group, pursuant to which, Shanghai Bailian conditionally agreed to transfer 156,744,000 unlisted domestic shares, together with its interest in a property located in No.3, Lane 8 Zhongshan Road (E-2) in Shanghai and cash consideration of RMB15,091,987.63, to Bailian Group in exchange for 40% equity interest in Shanghai Sanlian (Group) Co., Limited (上海三聯（集團）有限公司) owned by Bailian Group. The equity exchange is subject to the satisfaction of the conditions precedent to the agreement. As at the date of this report, the equity exchange is not completed.

   Please refer to the announcements of the Company dated 23 December 2014 and 22 January 2015.

4. As the Company issued 8 additional shares to the shareholders whose names appeared on the register of shareholders of the Company on the record date, i.e. 28 June 2011, for every 10 shares held by them by way of capitalization of the capital reserve fund on 8 September 2011, the number of H shares of the Company held as at 30 June 2015 by holders of H shares have been adjusted accordingly, if necessary.

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 2015.

Other Data

The legal status of unlisted foreign shares

Set out below is the summary of legal opinions given by Grandall Law Firm (Shanghai) on the rights attached to unlisted foreign shares (the "Unlisted Foreign Shares"). Although the Prerequisite Clauses for Articles of Association of Companies to be Listed Overseas (the "Prerequisite Clauses") provides 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 ("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 under the existing PRC laws or regulations. However, the Company's creation of Unlisted Foreign Shares and the subsistence of the Unlisted Foreign Shares does not contravene any PRC laws or regulations.

At present, there are no express laws and regulations in the PRC governing the rights attached to Unlisted Foreign Shares. Grandall Law Firm (Shanghai) advised that until new laws or regulations are introduced in this aspect, holders of the Unlisted Foreign Shares shall be treated the same as holders of domestic shares ("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 holders of Domestic Shares), except that the holders of the Unlisted Foreign Shares enjoy the following rights to which the holders of Domestic Shares are not entitled:

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

(b) in the event of 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 of the PRC.

No provision is made for the settlement of disputes between holders of Unlisted Foreign Shares and holders of Domestic Shares in the Prerequisite Clauses or the Articles of Association. According to the PRC laws, in case of disputes between holders of Unlisted Foreign Shares and holders of Domestic Shares and the parties failed to reach any 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 their dispute, either party may initiate legal proceedings in a competent PRC court.

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

As advised by Grandall Law Firm (Shanghai), the Unlisted Foreign Shares can be converted into new H Shares subject to satisfaction of the following conditions:

(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 the Stock Exchange;

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

Other Data

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

(d) approval granted by the Stock Exchange for the listing and trading of the new H Shares converted from the Unlisted Foreign Shares;

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

(f) full compliance with relevant PRC laws, rules, regulations and policies governing companies incorporated in the PRC and seeking permission for listing of shares outside the PRC and with the Articles of Association and any agreement among the shareholders.

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

Interim Dividend

The board of directors of the Company (the "Board") does not recommend the distribution of interim dividend for the six months ended 30 June 2015.

Purchase, Sale or Redemption of Shares

From 27 June 2003, the date of listing of the Company's shares on the Stock Exchange, to the date of this interim report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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 matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed interim accounts for 2015 of the Group. The Audit Committee considered that the interim accounts of the Group for the six months ended 30 June 2015 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 Model Code

The Company has adopted the Model Code as code of conduct for securities transactions by all directors of the Company. After specific enquiries to the directors, the Board is pleased to confirm that all the directors have fully complied with the provisions under the Model Code during the period under review.

Compliance with the Corporate Governance Code in Appendix 14 of the Listing Rules

The Board is pleased to confirm that save and except for the matters as set out below, the Company has complied with all the code provisions in the "Corporate Governance Code" (the "Code") under Appendix 14 of the Listing Rules during the period under review. Apart from the following deviation, 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:

Other Data

Provision A4.2 of the Code requires that every director (including those appointed for a specific term) of a listed issuer 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.

For Provision A.6.7 of the Code:

Ms. Wu Jie-qing, non-executive director, Mr. Wong Tak Hung, non-executive director, and Mr. Lee Kwok Ming, Don, independent non-executive director, were unable to attend the fourth meeting of the fifth session of the Board convened on 27 March 2015 by the Company due to their work duties.

Ms. Qi Yue-hong, executive director, Mr. Li Guo-ding, non-executive director and Mr. Wong Tak Hung, non-executive director, were unable to attend the fifth meeting of the fifth session of the Board convened on 22 May 2015 by the Company due to their work duties.

Mr. Zhou Zhong-qi, executive director, and Mr. Li Guo-ding, non-executive director were unable to attend the sixth meeting of the fifth session of the Board convened on 24 June 2015 by the Company due to their work duties.

Mr. Zhou Zhong-qi, executive director, Mr. Li Guo-ding, non-excutive director, Mr. Wong Tak Hung, non-executive director, Mr. Zhang Hui-ming, independent non-executive director and Mr. Huo Jia-zhen, independent non-executive director were unable to attend the seventh meeting of the fifth session of the Board convened on 28 August 2015 by the Company due to their work duties.

After receiving the relevant materials for the Board meeting, they have authorized other directors of the Company to attend the meetings and vote on their behalf. The matters considered at the Board meeting were ordinary matters and all resolutions were passed smoothly. The Company had sent the related minutes to all members of the Board after the Board meeting so any director who was unable to attend the meeting was able to understand the resolutions passed at the meeting.

For Provisions A.6.7 and E.1.2 of the Code, Mr. Zhou Zhong-qi, executive director, Mr. Li Guo-ding, non-executive director and Mr. Lee Kwok Ming, Don, independent non-executive director, was unable to attend the 2014 annual general meeting of the Company convened on 24 June 2015 due to their work duties. The Company has provided the relevant materials relating to the 2014 annual general meeting to all members of the Board before the meeting. All ordinary resolutions were passed smoothly at the annual general meeting. The Company had sent the related minutes to all members of the Board after the annual general meeting so any director who was unable to attend the meeting was able to understand the resolutions passed at the meeting.

Other Data

Changes in Information of Directors and Supervisors

The changes in information of directors and supervisors since the disclosure made in the 2014 annual report are set out below:

Name of Director/Supervisor	Details of Changes
Mr. Chen Jian-jun	– ceased to be the vice head of supervisory committee of Shanghai Bailian since 19 June 2015.
	– appointed to be a director of Shanghai Bailian since 19 June 2015.
Mr. Li Guo-ding	– ceased to be the general manager, vice secretary of party committee and director of Shanghai Bailian since 19 June 2015.
Ms. Wu Jie-qing	– appointed to be a director of Shanghai Bailian since 19 June 2015.
Mr. Hua Guo-ping	– ceased to be a director of Shanghai Bailian since 19 June 2015.
	– ceased to be the general manager of the Company since 28 August 2015.
Mr. Zhou Zhong-qi	– ceased to be the chief financial offer of the Company since 24 June 2015.
Ms. Tao Qing	– ceased to be a supervisor of Shanghai Bailian since 19 June 2015.

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

By Order of the Board
Mr. Chen Jian-jun
Chairman

28 August 2015, Shanghai, the PRC

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	NOTES	**RMB'000**	RMB'000
Turnover	4	**14,077,536**	15,022,556
Cost of sales		**(11,960,898)**	(12,852,731)
Gross profit		**2,116,638**	2,169,825
Other revenue	4	**1,059,158**	1,192,371
Other income and gains	5	**285,978**	291,802
Selling and distribution expenses		**(2,942,969)**	(3,033,733)
Administrative expenses		**(339,021)**	(354,572)
Other operating expenses		**(6,939)**	(30,589)
Share of profits of associates		**23,517**	29,011
Finance costs		**(79)**	(73)
Profit before taxation	6	**196,283**	264,042
Income tax expense	7	**(113,701)**	(112,488)
Total comprehensive income for the period		**82,582**	151,554
Total comprehensive income for the period attributable to:			
Owners of the Company		**21,007**	97,654
Non-controlling interests		**61,575**	53,900
		82,582	151,554
Earnings per share – basic and diluted	9	**RMB0.02**	RMB0.09

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	2,826,394	2,924,276
Construction in progress	10	526,240	443,667
Land use rights	10	338,696	341,812
Intangible assets	10	194,547	196,469
Interests in associates		580,548	557,084
Available-for-sale financial assets	11	68,335	36,570
Term deposits	13		
– restricted		1,018,790	266,000
– unrestricted		1,939,210	2,095,000
Prepaid lease payments		103,644	82,895
Deferred tax assets		204,438	215,749
Other non-current assets	14	17,939	18,668
		7,818,781	7,178,190
Current assets			
Inventories		2,417,193	2,676,400
Trade receivables	15	95,631	101,372
Deposits, prepayments and other receivables		728,060	1,076,927
Amounts due from fellow subsidiaries	16	12,870	12,888
Amounts due from associates	17	62	61
Available-for-sale financial assets	11	7,000	246,628
Financial assets at fair value through profit or loss	12	2,471	2,223
Term deposits	13		
– restricted		433,000	1,210,000
– unrestricted		4,088,100	778,400
Cash and cash equivalents		1,695,737	5,145,270
		9,480,124	11,250,169
Total assets		17,298,905	18,428,359

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Capital and reserves			
Share capital	18	**1,119,600**	1,119,600
Reserves		**2,303,768**	2,282,761
Equity attributable to owners of the Company		**3,423,368**	3,402,361
Non-controlling interests		**253,536**	272,025
Total equity		**3,676,904**	3,674,386
Non-current liability			
Deferred tax liabilities		**88,412**	98,657
Current liabilities			
Trade payables	19	**3,390,095**	3,713,440
Other payables and accruals	20	**1,904,930**	2,007,891
Coupon liabilities	21	**8,014,340**	8,726,487
Deferred income		**27,065**	23,284
Amounts due to fellow subsidiaries	16	**34,284**	48,193
Amounts due to associates	17	**2,301**	5,515
Bank borrowing		**2,000**	2,000
Taxation payable		**158,574**	128,506
		13,533,589	14,655,316
Total liabilities		**13,622,001**	14,753,973
Total equity and liabilities		**17,298,905**	18,428,359
Net current liabilities		**(4,053,465)**	(3,405,147)
Total assets less current liabilities		**3,765,316**	3,773,043

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company							
	Share capital RMB'000	Capital reserve RMB'000 (note a)	Other reserve RMB'000 (note b)	Statutory common reserve fund RMB'000 (note c)	Retained profits RMB'000	Total attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014 (audited)	1,119,600	258,353	(234,842)	492,911	1,735,306	3,371,328	277,292	3,648,620
Profit for the period	–	–	–	–	97,654	97,654	53,900	151,554
Dividends paid to non-controlling interests	–	–	–	–	–	–	(75,899)	(75,899)
At 30 June 2014 (unaudited)	1,119,600	258,353	(234,842)	492,911	1,832,960	3,468,982	255,293	3,724,275
At 1 January 2015 (audited)	**1,119,600**	**258,353**	**(234,842)**	**540,309**	**1,718,941**	**3,402,361**	**272,025**	**3,674,386**
Profit for the period	**–**	**–**	**–**	**–**	**21,007**	**21,007**	**61,575**	**82,582**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(80,064)**	**(80,064)**
At 30 June 2015 (unaudited)	**1,119,600**	**258,353**	**(234,842)**	**540,309**	**1,739,948**	**3,423,368**	**253,536**	**3,676,904**

Notes:

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

(b) Other reserve mainly represents:

i. the fair value difference of a subsidiary's net assets, arising from a business combination in 2005, and the Group's original equity interest in that subsidiary;

ii. the financial impact of adopting merger accounting to account for the acquisition of subsidiaries during the year ended in 2009 and 2011; and acquisition of additional equity interests in subsidiaries.

(c) Pursuant to the relevant regulations of the People's Republic of China (the "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 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 2015 (six months ended 30 June 2014: nil) as such transfer will be made, upon directors' approval, at the year end based on the annual profit.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash used in (generated from) operating activities	**(296,698)**	59,359
Investing activities		
Placement of unrestricted term deposits	**(3,932,310)**	(4,877,000)
Withdrawal of unrestricted term deposits	**778,400**	890,000
Purchase of financial assets at fair value through profit or loss	**–**	(400,000)
Addition of property, plant and equipment and construction in progress	**(209,826)**	(209,100)
Additional available-for-sale financial assets	**(111,764)**	–
Proceeds on redemption of available-for-sale financial assets	**324,000**	279,268
Proceeds on redemption of held-to-maturity financial assets	**–**	39,000
Proceeds on diposal of financial assets at fair value through profit or loss	**–**	540,000
Dividends received from associates	**53**	38
Dividents received from equity investment	**11,807**	–
Other investing cash inflows	**2,346**	10,479
Net cash used in investing activities	**(3,137,294)**	(3,727,315)
Cash used in a financing activity		
Dividends paid to non-controlling interests	**(15,541)**	(22,028)
Net decrease in cash and cash equivalents	**(3,449,533)**	(3,689,984)
Cash and cash equivalents at 1 January	**5,145,270**	4,877,493
Cash and cash equivalents at 30 June	**1,695,737**	1,187,509

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKCPA"):

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new amendments to HKFRS and HKAS in the current interim period has had no material effect on the amounts reported in these condensed consolidated finanical statements and disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue (include turnover and other revenue) and results by reportable and operating segments, which the Group's General Manager, being the Group's chief operating decision maker, reviews when making decisions about allocating resources and assessing performance:

	Segment revenue Six months ended 30 June		**Segment results Six months ended 30 June**	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	**2015 (Unaudited) RMB'000**	2014 (Unaudited) RMB'000
Hypermarkets	**9,372,112**	9,842,161	**51,366**	123,360
Supermarkets	**4,758,147**	5,287,882	**175,482**	170,117
Convenience stores	**991,264**	1,042,783	**(35,256)**	(42,512)
Other operations	**15,171**	42,101	**1,030**	(2,680)
	15,136,694	16,214,927	**192,622**	248,285

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment results	**192,622**	248,285
Unallocated interest income	**45,669**	27,333
Unallocated income	**4,373**	29,774
Unallocated expenses	**(69,898)**	(70,361)
Share of profits of associates	**23,517**	29,011
Profit before taxation	**196,283**	264,042

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

All of the Group's revenue and segment results are attributable to customers in the PRC.

Segment results did not include share of profits of associates, allocation of corporate 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.

4. TURNOVER AND OTHER REVENUE

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Turnover		
Sales of merchandises	**14,077,536**	15,022,556
Other revenue		
Incomes from suppliers	**716,906**	857,982
Gross rental income from leasing of shop premises	**313,675**	301,675
Royalty income from franchised stores	**23,596**	26,567
Commission income from coupon redemption at other retailers	**4,981**	6,147
	1,059,158	1,192,371
Total revenue	**15,136,694**	16,214,927

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income on cash and term deposits	**212,106**	199,397
Government subsidies (Note)	**15,259**	25,329
Fair value change on financial assets at fair value through profit or loss	**248**	4,073
Interest income from available-for-sale financial assets	**4,373**	10,955
Interest income from held-to-maturity financial assets	**–**	7,320
Dividend from unlisted equity investments	**42**	4,500
Gain on disposal of an associate	**–**	7,403
Gain on disposal of property, plant and equipment	**1,781**	–
Salvage sales	**12,463**	15,007
Others	**39,706**	17,818
Total	**285,978**	291,802

Note: The Group received unconditional subsidies from PRC local government as an encouragement for the operation of certain subsidiaries in certain areas.

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
After Charging:		
Amortisation and depreciation		
Amortisation of other non-current assets	**729**	729
Amortisation of intangible assets-software (included in selling and distribution expenses/administrative expense) (Note 10)	**4,845**	4,352
Amortisation of land use rights (Note 10)	**3,116**	3,116
Depreciation of property, plant and equipment (Note 10)	**239,123**	250,934
	247,813	259,131
Cost of inventories recognised as an expense	**11,960,898**	12,852,731
Operating lease rental in respect of rented premises	**874,593**	877,982
Staff costs	**1,448,868**	1,460,401
After Crediting:		
Share of profits of associates		
Share of profit before taxation	**23,026**	43,013
Less: Share of taxation	**(491)**	14,002
	23,517	29,011

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax on PRC Enterprise Income Tax ("EIT")	**112,635**	116,695
Deferred tax expense (credit)	**1,066**	(4,207)
	113,701	112,488

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

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries is 25%. Certain subsidiaries are taxed at preferential rate of 15% as those entities which are located in specific provinces of western China and engaged in specific encouraged industries which enjoy a preferential tax rate of 15% under EIT Law. Since 2013, a group entity is qualified as 'High Tech Enterprise' and enjoys a preferential tax rate of 15% under EIT Law and subject to renewal for every three years.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for both periods.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to owners of the Company	**21,007**	97,654

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,119,600,000**	1,119,600,000

Diluted earnings per share are the same as basic earnings per share as no potential ordinary shares were outstanding during the two periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

10. MAJOR CAPITAL EXPENDITURE

	Property, plant and equipment RMB'000	Construction in progress RMB'000	Land use rights RMB'000 (Note)	Intangible assets		
				Goodwill RMB'000	Software RMB'000	Subtotal RMB'000
Opening carrying amount as at 1 January 2014 (audited)	3,080,898	319,073	350,793	151,941	38,322	190,263
Additions	137,554	66,080	–	–	351	351
Transfers	(2,811)	(1,006)	3,483	–	334	334
Disposals	(3,892)	–	–	–	(902)	(902)
Depreciation/amortisation charge (Note 6)	(250,934)	–	(3,116)	–	(4,352)	(4,352)
Impairment	(9,994)	–	–	–	–	–
Closing carrying amount as at 30 June 2014 (unaudited)	2,950,821	384,147	351,160	151,941	33,753	185,694
Opening carrying amount as at 1 January 2015 (audited)	**2,924,276**	**443,667**	**348,044**	**151,941**	**44,528**	**196,469**
Additions	**137,716**	**94,673**	**–**	**–**	**105**	**105**
Transfers	**9,282**	**(12,100)**	**–**	**–**	**2,818**	**2,818**
Disposals	**(2,757)**	**–**	**–**	**–**	**–**	**–**
Depreciation/amortisation charge (Note 6)	**(239,123)**	**–**	**(3,116)**	**–**	**(4,845)**	**(4,845)**
Impairment	**(3,000)**	**–**	**–**	**–**	**–**	**–**
Closing carrying amount as at 30 June 2015 (unaudited)	**2,826,394**	**526,240**	**344,928**	**151,941**	**42,606**	**194,547**

Note: Land use rights analysed for reporting purposes as:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Non-current assets	**338,696**	341,812
Current assets (included in deposits, prepayments and other receivables)	**6,232**	6,232
	344,928	348,044

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11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Non-current		
Legal person shares (note a)	**312**	312
Unlisted equity investments (note b)	**68,023**	36,258
	68,335	36,570
Current		
Unlisted investments (note d)	**7,000**	32,000
Unlisted managed investment funds (note c)	**–**	214,628
	7,000	246,628
Total	**75,335**	283,198

Notes:

(a) These represent investments in legal person shares of certain PRC listed companies. The legal person shares are measured at fair value at the end of the reporting period.

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

(c) These investments represent funds placed into a licensed trust company in the PRC, which in turn placed the funds in certain corporations in the PRC (the "PRC Corporations"). The principal and interests derived from the placing of the funds into the PRC Corporations by the licensed trust companies are (i) secured by listed or unlisted securities held by the PRC Corporations; (ii) guaranteed by related companies of the PRC Corporations; and (iii) guaranteed by land use rights of the PRC Corporations. The investments carry interest rate of 9.5% as at 31 December 2014 per annum. The investments has been withdrawed as at June 2015.

(d) These investments are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including notes or bonds issued and circulated in the PRC in accordance with the entrusted agreements entered into between the parties involved. At 30 June 2015 the entrusted institutions undertake return of principal and a yield rate of 4.9% (31 December 2014: ranging from 4.9% to 5.5%) per annum upon maturity.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Equity securities listed in Shanghai Stock Exchange	**2,471**	2,223

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For the six months ended 30 June 2015

13. TERM DEPOSITS

All term deposits denominated in Renminbi are placed with banks in the PRC. The deposits presented as current assets are the deposits with maturity over 3 months but less than 1 year. The deposits presented as non-current assets are those with maturity over 1 year but not exceeding 5 years.

As at 30 June 2015, included in the term deposits is RMB1,451,790,000 (31 December 2014: RMB1,476,000,000) in aggregate restricted for other use by the Group as they were placed by the Group to various banks as security for coupons issued to customers.

The effective interest rate on these term deposits ranged from 2.90% to 6.80% (31 December 2014: from 3.30% to 6.80%) per annum. The carrying amounts of the term deposits approximate their fair value.

14. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group represent prepayment for the leasing of certain buildings from government and are amortised over the shorter of the contract periods and the estimated useful lives of the buildings.

15. TRADE RECEIVABLES

The aging analysis of the trade receivables net of allowance for doubtful debts at the end of the reporting period, arising principally from sales of merchandise to franchised stores and wholesalers with credit terms ranging from 30 to 60 days, is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 30 days	**56,052**	94,930
31 – 60 days	**2,168**	5,649
61 – 90 days	**20**	39
91 days – one year	**37,391**	754
	95,631	101,372

16. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES

Amounts due from (to) fellow subsidiaries are trade in nature, unsecured, interest free, with credit terms ranging from 30 to 60 days (31 December 2014: 30 to 60 days). As at 30 June 2015, balances of both amounts due from (to) fellow subsidiaries are all aged within 60 days (31 December 2014: 60 days).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

17. AMOUNTS DUE FROM (TO) ASSOCIATES

Amounts due from (to) associates, arising from expenses paid on behalf and purchase of merchandises respectively, are unsecured, interest free and aged within 90 days. (31 December 2014: 90 days)

18. SHARE CAPITAL

	Number of share	**Nominal value**
		RMB'000
RMB1.00 each		
Registered:		
As at 1 January 2015 and 30 June 2015	1,119,600,000	1,119,600
Issued and fully paid:		
As at 1 January 2015 and 30 June 2015	1,119,600,000	1,119,600

19. TRADE PAYABLES

The aging analysis of trade payables at the end of the reporting period, arising mainly from purchase of merchandise with credit terms ranging from 30 to 60 days, is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 30 days	**1,132,055**	1,963,490
31 – 60 days	**754,127**	809,341
61 – 90 days	**446,123**	231,245
91 days – one year	**1,057,790**	709,364
	3,390,095	3,713,440

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For the six months ended 30 June 2015

20. OTHER PAYABLES AND ACCRUALS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Payroll, staff welfare and other staff cost payable	194,500	306,673
Value added tax and other payable	55,583	116,732
Rental payable	763,954	766,120
Deposits from lessees, franchisees and other third parties	185,258	183,868
Dividend payable to non-controlling interest	64,523	–
Amount payable to other retailers upon customers' redemption of coupon issued by the Group	11,764	9,140
Prepayments received from franchisees and other third parties	284,873	284,740
Payables for acquisition of property, plant and equipment and low value consumables	99,375	82,719
Store closure provision	3,193	22,010
Accruals	155,676	102,898
Advance from customers	44,538	94,402
Other miscellaneous payables	41,693	38,589
	1,904,930	2,007,891

21. COUPON LIABILITIES

The Group incurred coupon liabilities when coupons were sold and the coupon liabilities decreased upon redemption as a result of sales of the Group's merchandises, the value of which is recognised as revenue in the profit or loss for the period the transactions taken place. Coupon liabilities redeemed in exchange for products or services of other retailers are settled after deducting the Group's commission based on the agreements entered into between the Group and the retailers.

22. CAPITAL COMMITMENTS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment, construction of buildings and land use rights:		
– contracted for but not provided in the consolidated financial statements	465,013	173,053
– authorised but not contracted for	431,938	781,588

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

23. OPERATING LEASE

(1) The Group as lessee

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	**1,341,748**	1,583,451
In the second to fifth years inclusive	**4,319,106**	5,316,261
Over five years	**6,091,740**	7,728,220
	11,752,594	14,627,932

(2) The Group as lessor

The Group had contracted with tenants for the following future minimum lease payments:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	**236,403**	226,328
In the second to fifth years inclusive	**421,346**	393,961
Over five years	**355,149**	364,082
	1,012,898	984,371

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

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For the six months ended 30 June 2015

24. RELATED PARTY TRANSACTIONS

Apart from those disclosed under notes 16 and 17, the Group entered into significant related party transactions during the period as follows:

(1) Related party transactions

	Notes	Six months ended 30 June 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Purchases from associates	(a)	**4,581**	18,034
Purchases from fellow subsidiaries	(a)	**50,941**	82,453
Rental expenses and property management fee paid to fellow subsidiaries	(b)	**49,246**	30,676
Rental income from fellow subsidiaries	(c)	**6,251**	6,251
Commission income received from fellow subsidiaries	(d)	**370**	450
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	(e)	**9,746**	7,052
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	(e)	**2,550**	7,009
Interest income earned from a fellow subsidiary	(f)	**8,800**	5,762

Fellow subsidiaries referred above are subsidiaries of Bailian Group Co., Ltd. ('Bailian Group'), the ultimate holding company of the company.

Notes:

(a) This represents sales to and purchase from Bailian Group and purchase from associates in respect of various kinds of merchandise, including but not limited to food products, daily products and electrical appliances.

(b) These represent rental expenses and property management fee of certain hypermarkets paid to fellow subsidiaries.

(c) Certain areas of the Group's hypermarket are rented to fellow subsidiaries.

(d) The commission income was received from fellow subsidiaries controlled by Bailian Group in relation to the redemption of the coupons issued by the Group and a fellow subsidiaries controlled by Bailian Group in retail outlets of these related companies. The commissions were charged at a rate of 0.5% to 1% (2014: 0.5% to 1%) of the sales made through the coupons in the retail outlets of these companies.

(e) According to the business agreement on the settlement of coupon liabilities entered into between the Group and a fellow subsidiary controlled by Bailian Group, when the coupons issued by one party are redeemed in exchange for products or services to the retailers contracted by the other party or when the coupon liabilities are settled through the other party's network, a commission would be charged at a rate of 0.5% (2014: 0.5%) as agreed by the two parties, based on the gross transaction amount on a monthly basis. The gross transaction amount owed by each other and the related commission income/charge are settled on a net basis each month.

(f) According to the financial services agreement entered into between the Group and a fellow subsidiary controlled by Bailian Group, the fellow subsidiary will provide deposits service to the Company at a deposit rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

24. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party balances

The Group entered into a financial services agreement with a fellow subsidiary controlled by Bailian Group on 28 Feberay 2013. Pursuant to the agreement, the fellow subsidiary agreed to provide the Group with the deposit services at a deposit rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans for a period till 31 December 2015.

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Cash and cash equivalents in a fellow subsidiary	**40,299**	177,716
Unrestricted term deposits in a fellow subsidiary	**435,000**	335,000

(3) Transactions/balances with other government related entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ('Government Related Entities') including Bailian Group. Apart from the transactions with fellow subsidiaries disclosed above, the Group has also entered into various transactions, including sales, purchase, and deposits placement, with other Government Related Entities.

In view of the nature of the retail business operated by the Group, the directors are of the opinion that it is impracticable to identify the identities of the counterparties from the sales of merchandise as to whether they are Government Related Entities.

At the end of the reporting period, significant amount of the Group's purchase were from Government Related Entities and most of the Group's deposits and borrowing are placed with banks which are also Government Related Entities.

(4) Key management compensation

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Salaries and other short-term employee benefits	**4,640**	6,565
Post-employment benefits	**181**	131
Other long-term benefits	**207**	157
	5,028	6,853

The remuneration of key management is determined having regard to the performance of individuals and market trends.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Classified as**	**Fair value as at 30/06/2015** RMB'000	**Fair value as at 31/12/2014** RMB'000	**Fair value hierarchy**	**Basis of fair value measurement/ valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
1) Investment in equity shares listed in Shanghai Stock Exchange	Financial assets at fair value through profit or loss	Assets – 2,471 Equity securities: – Real estates (2,438) – Agricultural (33)	Assets – 2,223 Equity securities: – Real estates (2,199) – Agricultural (24)	Level 1	Quoted bid prices in an active market	N/A	N/A

Fair value measurements and valuation process

The Chief Financial Officer ('CFO') of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available, the Group engages third party qualified valuers to perform the valuation. The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the findings to the board of directors of the Company at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

26. 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 28 Aug 2015.