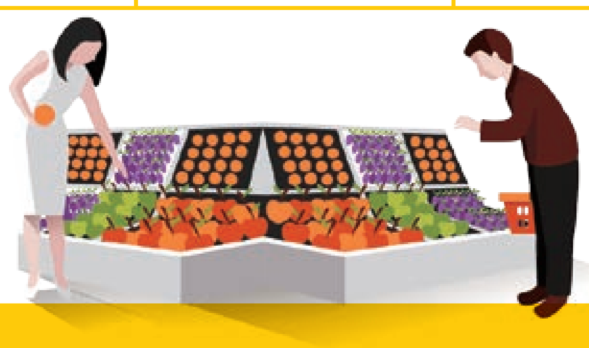
联华超市股份有限公司
LIANHUA SUPERMARKET HOLDINGS CO., LTD.

Stock Code: 0980

3,883

39 1,444 996 Shanghai	57 229 165 Zhejiang	28 197 0 Jiangsu	0 0 313 Liaoning
5 178 0 Guangxi	3 1 129 Beijing	9 38 0 Anhui	0 12 0 Jiangxi
8 8 0 Henan	0 9 0 Inner Mongolia	0 3 0 Shandong	2 0 0 Sichuan
1 0 0 Heilong jiang	2 0 0 Tianjin	0 1 0 Hebei	2 0 0 Fujian
1 1 0 Guangdong	0 1 0 Hubei	0 1 0 Chongqing	



Contents

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LIANHUA SUPERMARKET HOLDINGS CO., LTD.

Lianhua Supermarket Holdings Co., Ltd. ("Lianhua Supermarket" or the "Company") commenced its business in Shanghai in 1991. In the past 25 years, it has developed into a nationwide chain retail operator with a full range of retail segments, expanding through a combination of organic growth, franchises and merger and acquisitions. As at 31 December 2015, Lianhua Supermarket and its subsidiaries (the "Group") operated a total of 3,883 outlets (excluding those operated by the Company's associated companies) spanning 19 provinces and municipalities across the nation. The Company has maintained its leading position in the fast moving consumer goods retail industry in the People's Republic of China (the "PRC"). Lianhua Supermarket was one of the first Chinese retail chain operators to be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), on 27 June 2003.

The Group operates in three main retail segments – hypermarkets, supermarkets and convenience stores, in order to cater for the diverse needs of consumers. These segments operate under the brand names of "Century Mart", "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik", respectively. In recent years, "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik" have been singled out as one of the China Outstanding Franchise Brand by the Franchise Committee of China Chain Store & Franchise Association.

Corporate Information

Directors

Executive Directors

Mr. Chen Jian-jun (Resigned on 17 November 2015)
Mr. Hua Guo-ping (Resigned on 17 November 2015)
Ms. Qi Yue-hong (Vice Chairman)
Mr. Zhou Zhong-qi (Resigned on 17 November 2015)
Mr. Shi Hao-gang (Resigned on 17 November 2015)

Non-Executive Directors

Mr. Ye Yong-ming (Chairman)
Mr. Zhang Xuan-song
Mr. Qian Jian-qiang
Ms. Zheng Xiao-yun
Mr. Zhang Jing-yi
Mr. Li Guo-ding (Resigned on 17 November 2015)
Ms. Wu Jie-qing (Resigned on 17 November 2015)
Mr. Wong Tak Hung

Independent Non-Executive Directors

Mr. Xia Da-wei
Mr. Lee Kwok Ming, Don
Mr. Gu Guo-jian
Mr. Wang Jin
Mr. Zhang Hui-ming (Resigned on 17 November 2015)
Mr. Huo Jia-zhen (Resigned on 17 November 2015)

Board Committees

Audit Committee

Mr. Lee Kwok Ming, Don (Chairman)
Mr. Xia Da-wei
Mr. Gu Guo-jian
Mr. Wang Jin
Mr. Zhang Hui-ming (Resigned on 17 November 2015)
Mr. Huo Jia-zhen (Resigned on 17 November 2015)

Remuneration and Appraisal Committee

Mr. Xia Da-wei (Chairman)
Mr. Gu Guo-jian
Mr. Wang Jin
Ms. Qi Yue-hong
Mr. Zhang Hui-ming (Resigned on 17 November 2015)
Mr. Huo Jia-zhen (Resigned on 17 November 2015)
Mr. Hua Guo-ping (Resigned on 17 November 2015)

Strategic Committee

Mr. Ye Yong-ming (Chairman)
Mr. Zhang Xuan-song
Ms. Qi Yue-hong
Mr. Gu Guo-jian
Mr. Chen Jian-jun (Resigned on 17 November 2015)
Mr. Li Guo-ding (Resigned on 17 November 2015)
Mr. Hua Guo-ping (Resigned on 17 November 2015)
Mr. Zhang Hui-ming (Resigned on 17 November 2015)

Nomination Committee

Mr. Gu Guo-jian (Chairman)
Mr. Xia Da-wei
Mr. Wang Jin
Ms. Qi Yue-hong
Mr. Zhang Hui-ming (Resigned on 17 November 2015)
Mr. Huo Jia-zhen (Resigned on 17 November 2015)

Supervisors

Mr. Lv Yong (Chairman)
Mr. Wang Zhi-gang (Resigned on 28 December 2015)
Ms. Tao Qing
Mr. Shi Hao-gang
Ms. Qian Li-ping (Resigned on 30 November 2015)

Joint Company Secretary

Ms. Hu Li-ping
Mr. Stephen Mok

Authorised Representatives

Ms. Qi Yue-hong
Ms. Hu Li-ping

International Auditor

Deloitte Touche Tohmatsu

Legal Advisers to the Company

As to Hong Kong laws
Eversheds

As to 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

Registered and Business Office

Registered Office in the PRC

Room 713, 7th Floor
No. 1258 Zhen Guang Road
Shanghai, PRC

Place of Business in the PRC

5th to 14th Floors
No. 1258 Zhen Guang Road
Shanghai, PRC

Place of Business in Hong Kong

26th to 27th Floors
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Wanchai
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Fax

86 (21) 5279 7976

Company Website

lianhua.todayir.com

Shareholder's Enquiries

Contact Information of the Company

Office of Board of Directors
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

Listing Date

27 June 2003

SEHK Stock Code

980

Number of H shares Issued

372,600,000 H shares

Year-end Date

31 December

Results Announcements

Interim Results for 2015 were published on 28 August 2015
Annual Results for 2015 were published on 30 March 2016

Dividends

Interim Dividends: Nil
per share Proposed Final Dividends: Nil

2015 Annual General Meeting

To be convened at 10:00 a.m. on Monday, 13 June 2016

Major Achievements

1 JANUARY

Shanghai Century Lianhua Supermarket Development Company Limited (上海世紀聯華超市發展有限公司) ("Century Lianhua"), a subsidiary of the Company, was awarded the honorable title of "Old Taste, Old Story, Old Brand – the Power of Adhering to Faith cum 2014 Shanghai Food Safety Demonstration Enterprise" (老味道、老故事、老品牌—堅守誠信的力量暨2014年上海市食品安全示範企業) by Shanghai Food Safety Work Council (上海市食品安全工作聯合會) after its review.

Century Lianhua and Shanghai Lianhua Quik Convenience Stores Company Limited (上海聯華快客便利有限公司) ("Lianhua Quik"), a subsidiary of the Company, were awarded the honorable title of Shanghai Famous Trademark (上海市著名商標) by Shanghai Administration for Industry & Commerce.

2 FEBRUARY

1 February Longchang Store of Shanghai Lianhua Supermarket Development Co., Ltd. (上海聯華超級市場發展有限公司) ("New Supermarket"), a subsidiary of the Company, was launched after transformation to become the transformed flagship store of New Supermarket.

11 February Guangxi Lianhua Supermarket Joint Stock Co., Ltd. (Guangxi Lianhua), a subsidiary of the Company, has established its Vegetables and Fruit Product Procurement Station.

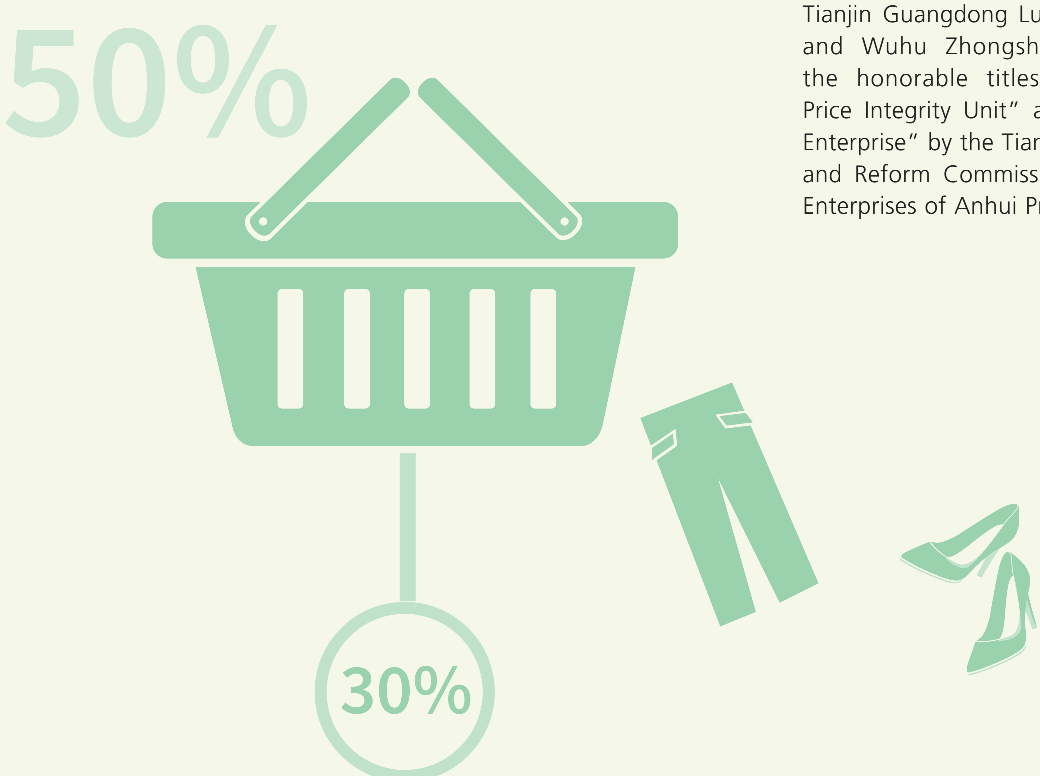
Yanping Store of Century Lianhua was awarded the honorable title of Excellent Representative Enterprise of Home of Workers (職工之家優秀代表企業) for Changping District in Beijing City and granted a bonus of RMB10,000 for the better construction of "Home of Workers".

3 MARCH

Shanghai Caojiadu Store of New Supermarket was awarded the honorable title of 2013－2014 Shanghai March Eighth Red Flag Collective by Shanghai Women's Federation and Shanghai Municipal Human Resources and Social Security Bureau.

4 APRIL

Century Lianhua, New Supermarket, and Lianhua Quik were awarded the honorable title of "2013-2014 Shanghai Civilized Unit by Shanghai Municipal People's Government".



5 MAY

Li Lan, the store manager of Daxing Store of Century Lianhua was awarded the honorable title of "2010-2014 Shanghai Model Worker". Shanghai Qingpu Store of Century Lianhua was awarded the honorable title of "2010-2014 Shanghai Model Collective".

Youth League Committee of the Company was awarded the honorable title of "2014 Shanghai May 4th Red Flag Youth League Committee" by Shanghai Municipal Committee of the Communist Youth League. Hou Yu-ting, Secretary of the Youth League Committee of the Company, was awarded the honorable title of "2014 Shanghai Youth May 4th Medal". Gao Hua, Secretary of the Youth League Committee of New Supermarket, was awarded the honorable title of "2014 Shanghai Youth Post Expert".

Tianjin Guangdong Lu Store of Century Lianhua and Wuhu Zhongshan Store were awarded the honorable titles of "2013-2014 Tianjin Price Integrity Unit" and "2014 Anhui Integrity Enterprise" by the Tianjin Municipal Development and Reform Commission and the Federation of Enterprises of Anhui Province respectively.

7 JULY

Weng Yu-jie, the Secretary of Communist Party Committee and Chairman of Lianhua Quik, was awarded the honorable title of "2014-2015 Person of the Year of China Retail Industry" jointly by China General Chamber of Commerce, China Retailers Convention Organizing Committee and China Business Daily.

8 August

Hangzhou Lianhua Huashang Group Co., Ltd. ("Hangzhou Lianhua Huashang"), a subsidiary of the Company, held the Thai Food Festival lasting half a month at Heping Shopping Mall (和平購物城). The project was co-organized by the Commercial Section Thai Consulate-General in Xiamen and Hangzhou Lianhua Huashang. Over 250 varieties of premium commodities of 12 enterprises from Thailand were exhibited during the festival.

9 September

1 September The Group convened the oath taking rally for the Hundred-day Action project at the conference room of Bailian Tower.

The shareholders of the Company including Shanghai Bailian Co., Limited ("Shanghai Bailian", a company listed on the Shanghai Stock Exchange with Stock No. 600827), Shanghai Baiqing Investment Co., Ltd. ("Baiqing Investment"), Bailian Group Co., Ltd. ("Bailian Group") and Yonghui Superstores Co., Ltd. ("Yonghui Superstores") completed the transfer of shares by means of equity transfer and equity swap through the China Securities Depository and Clearing Corporation Limited. Yonghui Superstores became the major shareholder of the Company.

10 OCTOBER

25 October The Cai Niao Yi Zhan Project of Lianhua Quik commenced online operation covering the 380 directly-operated stores in the region of Shanghai to provide consumers who shopped online with the express parcel and "ordering online for collection at the store" services.

Fong Yu-qun, the store manager of Xianghua Store of New Supermarket was awarded the honorable title of "Model Worker of National Trading Distribution Service Industry" by the Ministry of Human Resources and Social Security and the China General Chamber of Commerce. The stadium store of Century Lianhua was awarded the honorable title of "2014 Shanghai Team Pioneering Characteristic Group" by the Shanghai Federation of Trade Unions.

11 NOVEMBER

Qingchun Store of Hangzhou Lianhua Huashang was awarded the honorable title of "Advanced Collective of National Trading Distribution Service Industry" jointly by the Ministry of Human Resources and Social Security and the China General Chamber of Commerce.


LEADING

Chairman's Statement

Attaining growth is the primary economic task of the Group in 2016. We have to break bottlenecks, achieve implementation, facilitate promotion, adhere to targets and achieve growth targets by applying new developmental concepts and working methods as well as effective measures. Accordingly, the economic work of the Group in 2016 will be to stick to the guiding ideology of "Revitalizing mechanism, boosting morale, innovative transformation and reform, and promoting growth" in launching the work in various aspects.

Chairman's Statement

Dear Valued Shareholders,

I am pleased to present the annual results of Lianhua Supermarket Holdings Co., Ltd. for the year ended 31 December 2015 to our esteemed shareholders.

2015 was an extraordinary year for the Group, not only because of the new challenges arising from adapting to the "New Normal" of the Chinese economy, but also reflecting the hardships endured during the process of extensive reform and innovative transformation, as well as the failure to achieve the anticipated targets despite the tremendous efforts made by its management and numerous employees.

The advance of information technology and the rapid development of the Internet economy are making in-depth changes to people's lifestyle and consumer behavior. What is happening today has never taken place in the retail industry previously. By virtue of the "connectivity" function of the Internet, it has been developing rapidly across borders on a global basis. According to the data published by the Chinese Ministry of Commerce, the growth rate of cross-border e-commerce has exceeded 30% in 2015, exceedingly faster than the growth rate of 10.7% year over year for the total retail sales of consumer goods in China. Without doubt, the "New Normal" of consumer behavior has become an outstanding feature of the "New Normal" of the economy.

In light of the "New Normal" of the external environment, the Group has taken a series of target-oriented measures to proactively cope with the current situation. In 2015, the Group introduced a strategic investor. Yonghui Superstores has become the second largest shareholder as the reform of the stated-owned enterprises and assets in respect of the Group has made a critical leap forward, by means of diversifying its shareholding, reorganizing the Board of Directors and further streamlining the relationship within the senior management framework to improve the legal representative governance structure.

Meanwhile, Yonghui Superstores and the Group have made concerted efforts to build up the supply chain, extend the industrial chain, enhance the value chain and tap market potentials, so as to promote comprehensive transformation and enhancement of the Group. Yonghui Superstores and the Group also launched various types of cooperation including supply chain integration and operation and management based on the principle of "Equality, Mutual Benefits, Sharing of Resources and Complementary Advantages". For the supply chain integration, the Group has introduced new varieties of fresh produce, developed new product categories, and optimized the product mix, leading to an improved structure of product categories which includes meat, aquatic products, vegetables, as well as groceries from South and North China and an increase in sales. In respect of operation

and management, the customers have enjoyed more pleasant shopping experiences as a result of the improved operation and management of the fresh produce at the stores. The customer flow at the stores has increased remarkably.

In 2015, with the focus placed on the dual targets of improving the operational results and the procurement results, the Group organized the implementation of "Hundred-day Action" Project. The project closely adhered to practicality and made systematic and comprehensive self-diagnosis with in-depth probes to identify the outstanding issues and weak links restricting and affecting the performance development, so as to formulate practical and effective improvements to gradually eliminate the deficiencies and break through the bottleneck.

In 2015, the Group focused on pushing forward with a shift to the consolidated income oriented model from the income from suppliers oriented model, strengthened the connection between the farms and supermarkets and procurement by direct sourcing, increased the proportion of commodities from direct sourcing and minimized the intermediary links of procurement. The Group has identified the future development direction of private brands, strengthened the introduction of imported commodities, and endeavored to fulfill the differential operation.

In 2015, the Group steadily pushed forward with reforming the organizational framework of the head office and the regional operation model. The aim is to employ the best candidates based on the principle of simplicity and high efficiency in allocation of staff, posts and roles, minimize the administrative posts by complying with the requirements of "various functions for one post", "various duties for one post" and "AB part-time post", launch organizational reform and adjustment of the business department by benchmarking with the advanced enterprises and extend the regional pilot reform in order to streamline the management relationship.

Although the Group took proactive measures, it failed to reverse the adverse situation of declining sales, and business results dropped substantially in 2015. The Group was unable to achieve significant breakthroughs in terms of enhancement of innovative development, reform, transformation, business development and management. Progress with respect to marketing expansion and brand building also progressed at a sub-optimal speed and measures were insufficient; concurrently, effective approaches to optimize the management of goods return, control on the finer breakdown of costs, and incentive and appraisal into the right direction have not been identified.

In 2015, the Group recorded a revenue of approximately RMB27.223 billion, representing a decrease of 6.6% from the previous year. The operating loss was approximately RMB149 million. The annual loss attributable to the shareholders of the Company was approximately RMB497 million. The loss per share amounted to approximately RMB0.44.

2016 is the year marking the commencement of the "13th Five-year Plan". The macro-economy in China is expected to remain stable generally. Since last year, the government has launched a series of measures stabilizing growth and promoting consumption, with extensive coverage. The consumer expenditure contributed to 66.4% of the GDP growth. Consumption has become the definite main driving force for the economic growth. The income of citizens continues to grow faster. The gap between the urban and the rural income has further diminished. The Ministry of Commerce has expected the overall consumer market to grow steadily with further expansion in terms of scale in 2016. The consumption structure will continue to improve persistently. The effect of contribution from consumption to the economy will continue to be strengthened. The commercial retail enterprises will be confronted with better opportunities for development.

However, in light of the economic downturn, the excessive production capacity, the deflation and the uncertain economic prospects, people began to be pessimistic about their expectation for personal income growth, which will lead to more cautious spending.

Affected by the factors suppressing consumption growth, it is expected that the growth rate of the total retail sales of consumer goods in China will experience a slight drop in 2016, coupled with a slowing growth rate. The consumer groups and means of consumption have indicated bigger changes. The consumer class of the new generation comprising the post-80s and the post-90s has become the main consumer group. The consumer behavior has undergone in-depth changes with diversified shopping channels and methods. It is necessary for traditional retail enterprises to transform and reform with the establishment of new business model so as to cope with the market changes. The prospects are good after the transformation but it will be a painful process. The traditional retail enterprises are still confronted with bigger challenges.

Attaining growth is the primary economic task of the Group in 2016. We have to break bottlenecks, achieve implementation, facilitate promotion, adhere to targets and achieve growth targets by applying new developmental concepts and working methods as well as effective measures. Accordingly, the economic work of the Group in 2016 will be to stick to the guiding ideology of "Revitalizing mechanism, boosting morale, innovative transformation and reform, and promoting growth" in launching the work in various aspects.

In 2016, it is necessary to extend the successful experiences of the pilot store reform to implement a comprehensive store reform and operational enhancement. Through optimizing the enhancement of store line of motion, investment invitation, product category adjustment and human resources, the commodity structure has been adjusted to increase revenue, the area of low efficiency has been reduced to increase profit, on-site management has been strengthened to increase efficiency and staffing has been optimized to reduce expenses.

In 2016, the Group will build up the supply chain, enhance the commodity competitiveness, proactively expand the operation of fresh produce, develop the direct procurement base, construct the central kitchen and increase the proportion of fresh produce, the Group will also endeavor to achieve "disintermediation", compress the cost of procurement and increase the competitiveness of normal temperature commodities through the channels such as joint procurement and overseas direct sourcing.

In 2016, the Group will take the initiative to connect with the O2O omni-channel commercial model

and adapt to the development trend of e-commerce, implement the store digital reform, expand the value-added service functions including the online order for collection at the store, the order placed with the store for collection at the store, the Wechat Payment and the Bailian Daojia (百聯到家), in order to provide the consumers with brand new shopping experiences.

In 2016, the Group will continue to push forward with the reform of its systems and mechanisms, stress that solution for the outstanding issues of the current organizational structures and business structures had not yet adapted to the changes of the market demand; construct the professional, flat, marketized, and efficient organizational structure as well as the operation and management model.

While broadening the sources of income, it is more important to reduce expenditure. It is required to comprehensively implement the rolling budget system, strengthen the budget control, place stringent control on the operational expenses and the costs of the head office. It is also required to make prudent investment, strictly executing the investment decision-making process and management system, conduct the group decision-making with the performance of formalities for examination and approval in respect of significant investment. As far as possible, it is necessary to increase the efficiency of using the inventory assets and lower the cost of asset acquisition. In order to lower the commodity wastage, it is required to strengthen the appraisal of loss rate at the store.

In 2016, the Group will further promote unity in thinking and confidence as well as boosting high spirits and morale to attain comprehensive understanding, substantiate initiatives, make in-depth implementation and seek actual effects for various targeted tasks of the year.

Finally, on behalf of the Board of Directors, I would like to extend my heartfelt thanks to our management team and all our employees for their efforts and contribution as well as our shareholders and business partners for their full support.

By order of the Board

Ye Yong-ming
Chairman

30 March 2016, Shanghai, the PRC

Five Years Financial Highlights

Unit: RMB'000 For the year ended 31 December	**2015**	2014	2013	2012	2011
Turnover	**27,222,699**	29,152,454	30,383,420	28,987,545	27,520,176
Hypermarkets	**16,612,065**	17,513,911	18,234,857	17,253,783	16,082,043
– Percentage to turnover (%)	**61.02**	60.08	60.02	59.52	58.44
Supermarkets	**8,623,925**	9,544,941	10,151,879	9,819,043	9,617,432
– Percentage to turnover (%)	**31.68**	32.74	33.41	33.87	34.95
Convenience stores	**1,968,663**	2,013,456	1,934,450	1,837,821	1,733,631
– Percentage to turnover (%)	**7.23**	6.91	6.37	6.34	6.30
Other businesses	**18,046**	80,146	62,234	76,898	87,070
– Percentage to turnover (%)	**0.07**	0.27	0.20	0.27	0.31
Gross profit	**4,021,565**	4,241,145	4,362,590	3,929,064	3,956,440
Gross profit margin (%)	**14.77**	14.55	14.36	13.55	14.38
Consolidated income margin (%) (Note 1)	**24.50**	24.46	24.02	24.68	25.71
Operating (loss) profit (Note 1)	**(148,831)**	241,816	265,805	512,487	829,373
Operating (loss) profit margin (%) (Note 1)	**(0.55)**	0.83	0.87	1.77	3.01
(Loss) profit attribute to shareholders of the Company	**(496,991)**	31,033	52,953	339,947	626,727
Comprehensive (expenses) profit attributable to shareholders of the Company	**(487,190)**	31,033	52,953	339,947	626,727
Net (loss) profit margin (%) (Note 1)	**(1.83)**	0.11	0.17	1.17	2.28
(Losses) earnings per share (RMB)	**(0.44)**	0.03	0.05	0.30	0.56
Interim dividend per share (RMB) (Note 2)	**–**	–	–	0.08	0.08
Final dividend per share (RMB) (Note 2)	**–**	–	–	0.07	0.12

Unit: RMB'000 As at 31 December	**2015**	2014	2013	2012	2011
Net assets	**3,199,086**	3,674,386	3,648,620	3,768,680	3,621,646
Total assets	**17,604,856**	18,428,359	20,520,759	20,804,186	20,313,931
Total liabilities	**14,405,770**	14,753,973	16,872,139	17,035,506	16,692,285
Net cash flow	**(697,905)**	267,777	2,288,339	(2,977,217)	(14,863)
Average (loss) return on total assets (%)	**(2.76)**	0.16	0.26	1.65	3.23
Average (loss) return on net assets (%)	**(15.73)**	0.92	1.56	10.12	20.19
Gearing ratio (%) (Note 3)	**0.01**	0.01	0.01	0.01	0.01
Liquidity ratio (times)	**0.70**	0.77	0.73	0.67	0.73
Turnover of trade payables (days)	**59**	58	59	59	62
Turnover of inventories (days)	**41**	40	40	37	38

Notes:

1. Consolidated income margin (%) = (Gross profit + Other income + Other revenues)/Turnover
   Operating (loss) profit = (Loss) profit before tax – Share of profits associates
   Operating (loss) profit margin (%) = ((Loss) profit before tax – Share of profits associates)/Turnover
   Net (loss) profit margin (%) = (Loss) profit attribute to shareholders of the Company/Turnover

2. The total shares of the Company increased to 1,119,600,000 shares from 622,000,000 shares due to the bonus issue effective in September 2011. Meanwhile the directors do not recommend the payment of the final dividend at the Board meeting held on 30 March 2016.

3. Gearing ratio (%) = Loans/Total assets


GROWING

Management Discussion and Analysis

Operating Environment

In 2015, China's Gross Domestic Product (GDP) was RMB67.67 trillion, according to the National Bureau of Statistics of China, which represented an increase of 6.9% year over year, with a decrease of 0.4 percentage point compared with that of 2014. China's economy has stepped into the "new normal", and the major challenges of China's current economy are cutting overcapacity, destocking and deleveraging.

In 2015, industrial investment increased by 7.7%, representing 5.2 percentage points decrease in the growth rate over the same period last year and the nation-wide Producer Price for Industrial Products and Purchase Price for Industrial Producers decreased by 5.2% and 6.1% year over year respectively, that is, respective drops of 3.3 percentage points and 3.9 percentage points compared to the same period last year, according to the National Bureau of Statistics of China. According to the statistics released by the General Administration of Customs of the People's Republic of China, foreign trade exports fell 1.8% year over year in 2015, and foreign trade imports decreased by 13.2% year over year.

The combination of insufficient investment demand, production demand and external demand ultimately affected consumer demand. In 2015, the total retail sales of consumer goods amounted to approximately RMB30 trillion, that is, an increase of 10.7% year over year, representing a slowdown of 1.3 percentage points compared to the same period last year. In particular, the total retail sales of consumer goods above a designated size amounted to approximately RMB14.26 trillion, an increase of 7.8% year over year, representing a slowdown of 1.5 percentage points compared to the same period last year. Nation-wide online retail sales amounted to approximately RMB3.88 trillion in 2015, which represented an increase of 33.3% year over year and accounted for 12.9% of the total retail sales of consumer goods, which was 2.3 percentage points higher than that of 2014.

The slowdown in economic growth and the changes in consumer structure and shopping habits have adversely affected brick-and-mortar retail enterprises, resulting in a decrease in customer traffic and stagnant sales. According to the statistics announced by the Chinese Ministry of Commerce, the annual sales volume of major retail enterprises monitored by the Ministry of Commerce increased by 4.5% in 2015 year over year.

Such growth rate is not only slower than that of the total retail sales of consumer goods in the same period but also 1.8 percentage points lower than that of 2014.

In 2015, the nation-wide consumer price index (CPI) increased by 1.4% year over year, with a decrease of 0.6 percentage point in the growth rate compared to the same period last year, which was a record low rate since 2009. The year-on-year growth rate of the annual CPI has remained at a low level which has suppressed the growth rate of per consumer transaction of the traditional retailers.

In 2015, faced with a slowdown in economic growth and cautious consumer expenditure on consumption, supermarket chains in China including the Group faced various headwinds with respect to their operations and results. The Group made unremitting efforts to expand sales but the results failed to meet expectations.

Financial Review

Turnover and consolidated income

During the period under review, the Group's turnover was approximately RMB27,223 million, which represented a decrease of approximately 6.6% year over year. In particular, same store sales fell by approximately 6.48%. The declining turnover of the Group was mainly due to the continuous decline of GDP growth rate, further diminished consumption of institutional groups, diversified consumption patterns and postponed development of new stores.

During the period under review, affected by the year-on-year drop of its turnover, the Group's gross profit amounted to approximately RMB4,022 million, dropping by approximately 5.2% year over year. However, the gross margin rose 0.22 percentage point to 14.77% and thus the decline of gross profit was eased to a certain extent. The persistently rising gross margin mainly benefited from the structural

adjustment of product offerings and the reduced purchasing cost of the Group. During the period under review, the Group gradually adopted the policy of a "disintermediation" for its procurement system, and further minimized intermediary procurement links especially in the second half of the year, while reinforcing direct sourcing including field procurement, base procurement, boosting the connection between farms and supermarkets, and fostering close cooperation with original equipment manufacturers (OEM), so as to increase the proportion of direct procurement of products, and reduce procurement cost of products while utilizing multi-sources and multi-channels.

During the period under review, the consolidated income of the Group was approximately RMB6.668 billion, which represented a decrease of approximately 6.5% year over year, mainly due to the drop in product sales and the decrease of other income. As the decrease of the Group's consolidated income was less than the decrease of the Group's turnover, the growth rate of consolidated income increased approximately 0.04 percentage point to 24.50% year over year.

During the period under review, having been affected by insufficient demand for pre-paid cards and a decrease in group consumption, the Group's sales of pre-paid cards continued to show a downward trend, coupled with a drop of product sales year over year leading to a decrease in the Group's revenue year over year, resulting in the decline of the Group's cash inflow. During the period under review, the Group recorded net cash out flow, but the Group still has a significant capital base accumulated from previous years and continues to maintain ample operating cash flow. Also, as the Group adopted a conservative principle for the professional management of its capital, the return on funds realized amounted to approximately RMB410 million, despite that the People's Bank of China lowered the benchmark interest rate of Renminbi.

Operating cost and net profit

During the period under review, the total distribution cost and administrative expenses of the Group amounted to approximately RMB6,784,225 thousand, which represented a decrease of approximately RMB78,021 thousand year over year. The decrease was mainly attributable to (1) the decrease of labor cost of approximately RMB27,851 thousand through optimization of the Group's organizational structure, enhancements and improvements in business flow using information technology, and streamlining internal positions with further practical use of staff, staff reduction and improvement on productivity; (2) the depreciation and amortization expenditure decreased approximately RMB31,215 thousand as a result of the strengthening of the tender management of asset suppliers, the lowering of the asset procurement cost, making sufficient use of dormant assets, and promoting the management and control of investment cost of new outlets; and (3) energy expenses saving of approximately RMB24,097 thousand via promotion of energy saving initiatives at the stores.

During the period under review, the Group recorded an operating loss of approximately RMB149 million. In 2015, the Group took proactive measures to cope with declining macroeconomic growth and expanding market share of online sales, and proactively promoted the reform of its internal structure as well as the innovative transformation of its business model, in order to halt the decrease of commodity revenue. Despite the Group's efforts, commodity revenue fell by approximately RMB349 million year over year, which exceeded the decrease of distribution and the administrative cost expenditure year over year, resulting in an operating loss for the first time in the Company's history and a failure to meet operational targets.

During the period under review, the associates' revenue attributable to the Group was approximately RMB2,853 thousand with a year-on-year decrease of approximately RMB55,260 thousand. The associates of the Group were also adversely affected by changing market environment, the increase of labor cost and rental cost which led to decreasing profit compared to the previous year. Shanghai Carhua Supermarket Co., Ltd. ("Shanghai Carhua") opened one new store during the period under review. As of 31 December 2015, there were a total of 29 stores operated by Shanghai Carhua.

During the period under review, the tax expense of the Group was approximately RMB254 million, which represented a year-on-year increase of approximately 41.9% mainly due to the impact of the operating loss of the hypermarket segment, as deferred income tax assets decreased by approximately RMB123 million. After eliminating the above-mentioned impact, the year-on-year income tax decreased by approximately RMB48 million.

During the period under review, due to the impact of

the slowdown in economic growth and the changes in consumer structure and shopping habits, the entire chain supermarket industry suffered from a decline in year-on-year performance. Though the Group proactively pushed ahead with the substantiation of various measures including "setting goals, breaking through the bottlenecks, implementing its plans, orderly promoting work by stage", the Group was unable to halt the diversion of customer flow and the reduction in sales. The Group recorded an operating loss for the first time in its history, with the industry investment return falling substantially as well. During the period under review, the Group recorded an annual loss of approximately RMB497 million attributable to the shareholders of the Company. Based on the 1.1196 billion shares issued by the Company as at the end of the period under review, the loss per share was approximately RMB0.44.

Cash flow

During the period under review, the net cash outflow of the Group was approximately RMB697,905 thousand, mainly impacted by the year-on-year decrease in the sales of prepaid cards. Cash and various balance at bank as at the end of the period was RMB8,377,966 thousand.

As at 31 December 2015, the accounts payable turnover days of the Group were 59 days, and the inventory turnover days were approximately 41 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 31 December 2015.

Retail businesses operation

Hypermarkets

During the period under review, the turnover of the Group's hypermarket segment reached RMB16,612,065 thousand with a year-on-year decrease of approximately 5.1%, accounting for approximately 61.0% of the Group's turnover. In particular, same store sales had a year-on-year decrease of approximately 8.50%, mainly due to: the rapid development of e-commerce, rising cross-border and overseas consumption, changes in consumption patterns of main consumer groups and increased competition in its offline counterpart hypermarket segment. During the period under review, as the declining commodity sales led to decreased commodity revenue, the hypermarket segment recorded a gross profit amounting approximately to RMB2,443,300 thousand, as the gross margin increased by 0.25 percentage point to 14.71%. Consolidated income was approximately RMB4,118,852 thousand, as year-on-year consolidated income margin increased by 0.38 percentage point to 24.79%. The segment operating loss was RMB72,865 thousand. The hypermarket segment will increase its sales by optimization of commodity structure and enhancement of the capacity of fresh produce operation. Moreover, the hypermarket segment will strengthen budget control, establish cost-cutting targets for major costs and expenses including labor costs, rental costs, energy charge and information expenses, designate a personnel to be responsible for achieving targets, so as to reduce costs effectively.

As of 31 December	2015	2014
Gross Profit Margin (%)	**14.71**	14.46
Consolidated Income Margin (%)	**24.79**	24.41
Operating (Loss) Profit Margin (%)	**-0.44**	0.56

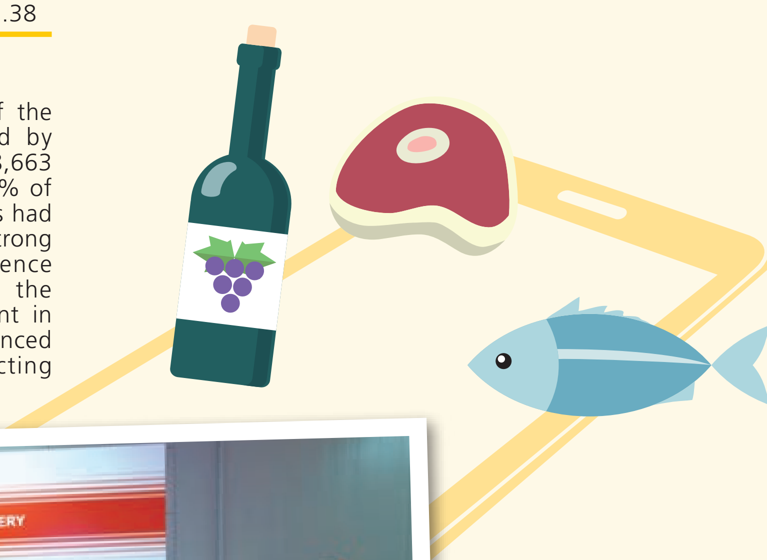
Supermarkets

During the period under review, the turnover of the Group's supermarket segment reached RMB8,623,925 thousand with a year-on-year decrease of approximately 9.6%, accounting for approximately 31.7% of the Group's turnover. In particular, same store sales recorded a year-on-year decrease of approximately 4.24%. During the period under review, the supermarket segment proactively shut down the stores suffering losses as well as those stores in which leases could not be renewed or were over-valued. The reduction in the total number of stores was the main reason for the year-on-year decrease in sales for the supermarket segment. During the period under review, the supermarket segment recorded a gross profit of approximately RMB1,261,564 thousand. Year-on-year gross profit margin increased by 0.15 percentage point to 14.63%. Consolidated income was approximately RMB1,994,265 thousand. Year-on-year consolidated income margin decreased by 0.21 percentage point to 23.12%. During the period under review, the year-on-year decrease in sales led to a decrease in commodity revenue. This, coupled with the rigid growth of labor cost and the substantial increase of rental costs upon expiry of leases for matured stores, suppressed the operating profit of the supermarket segment, leading to its year-on-year decrease. During the period under review, operating profit of the supermarket segment was approximately RMB66,137 thousand, while the operating profit margin was 0.77%.

As of 31 December	2015	2014
Gross Profit Margin (%)	**14.63**	14.48
Consolidated Income Margin (%)	**23.12**	23.33
Operating Profit Margin (%)	**0.77**	2.38

Convenience Stores

During the period under review, the turnover of the Group's convenience store segment decreased by approximately 2.2% year over year to RMB1,968,663 thousand, which accounted for approximately 7.2% of the Group's turnover. In particular, same store sales had a year-on-year growth of 5.29%. Confronted by strong and intense market competition, the convenience store segment has, in recent years, reinforced the reform of its existing stores, increased investment in the facilities of convenience services, and enhanced the sales of core products as well as conducting market segmentation with the aim of making an attempt to enter the high-end market. The segment has also further deepened its structural optimization of product categories, combined online and offline resources, strengthened marketing for core products and services, and explored the utilization of outlet advantages to provide more value-added services and realize year-on-year same store sales growth. Gross profit of the convenience store segment amounted to approximately RMB322,688 thousand and gross profit margin increased by 0.34 percentage point to approximately 16.39%. Consolidated income was approximately RMB453,463 thousand. Consolidated income margin increased by 0.06 percentage point to 23.03%. Despite the same store growth during the year, due to rigid growth of labor cost and the rental cost, the convenience store segment incurred an operating loss of approximately RMB86,262 thousand



during the period under review. The convenience store segment will continue to improve its value-added services, optimize category management, and look for new profit growth drivers.

As of 31 December	2015	2014
Gross Profit Margin (%)	**16.39**	16.05
Consolidated Income Margin (%)	**23.03**	22.97
Operating (Loss) Profit Margin (%)	**-4.38**	-4.18

Capital structure

As at 31 December 2015, the Group's cash equivalents were mainly held in Renminbi. Except for the bank borrowings of RMB2 million by a non-wholly-owned subsidiary of the Group, there were no other bank borrowings.

During the period under review, the equity interest of the shareholders of the Group decreased from approximately RMB3,674,386 thousand to approximately RMB3,199,086 thousand, mainly due to the loss for the period amounting to approximately RMB400,197 thousand, the dividend distributed to non-controlling interests amounting to RMB84,904 thousand, and the increase of capital reserve by RMB9,801 thousand.

Details of the Group's pledged assets

As of 31 December 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 neither entered into any agreements nor purchased financial instruments to hedge its foreign exchange risk. The Directors believe that the Group is able to meet its foreign exchange requirements.

Share capital

As of 31 December 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 at 31 December 2015, the Group did not have any material contingent liabilities.

Operating Review

Outlet Development

During the period under review, the Group continued to adhere to its strategy of "Becoming a Regional Leader and a National Strong Player". On one hand, the Group proactively set up new outlets in major developmental regions to solidify its market position. On the other hand, the Group streamlined its stores that were suffering bigger losses in line with the changes in the market environment to enhance the overall quality of its offline outlets. In 2015, the Group opened 204 new stores and shut down 612 existing stores, 520 of which were franchise stores.

Region	Segments	Newly opened stores during the period under review		Closed stores during the period under review	
		count	Operating area (m²)	count	Operating area (m²)
East China	Hypermarkets	5	54,167	4	31,856
	Supermarkets	96	26,999	384	108,585
	Convenience Stores	48	2,369	146	6,450
North China	Supermarkets	0	0	1	2,000
	Convenience Stores	8	419	18	1,004
Central China	Supermarkets	3	5,600	5	3,310
Northeast China	Hypermarkets	0	0	1	5,960
	Convenience Stores	20	624	28	935
South China	Supermarkets	24	12,046	25	6,963
Total		204	102,224	612	167,063

During the period under review, the Group opened five hypermarkets and closed five hypermarkets by applying its strategy of "Steady Development and Prudent Retrenchment. The five new hypermarkets were in Zhejiang Province, including two in Hangzhou City, two in Shaoxing City and one in Lishui City, in order to consolidate the Group's leading market position in the Zhejiang market.

During the period under review, the Group adopted a development strategy of "Optimizing Structure and Upgrading Quality" with the opening of 123 new supermarkets including 11 directly-operated stores and 112 franchise stores. The development of the directly-operated business emphasized on transformation and enhancement of its supermarkets, with even greater emphasis placed on the upgrade and reform of existing stores. The franchising business was committed to maintaining sustainable development, which emphasized on the unified distribution of goods for franchise stores and standardizing the operation and management of franchise stores. The supermarkets business continued to maintain its leading position in the Shanghai market.

During the period under review, the Group adopted a policy of "Optimizing Structure and Sustaining Development" with the opening of 76 new stores including 23 directly-operated stores and 53 franchise stores. The convenience store segment implemented the "Asset Light and Capacity Enhancement" strategy, which proactively streamlined and adjusted its product mix, increased the sales proportion of fresh produce, brand-name and imported products in order to attract younger customers. However, the speed of developing the franchise stores has been slower than expected due to the scarce quality store locations.

During the period under review, the actual investment of the Group was RMB540 million, among which, RMB130 million was for the new store development, RMB79.04 million was for the upgrade and reform of stores, RMB85.56 million was for the Yangxunqiao logistics project and RMB245 million for the Jiangqiao logistics project.

As of 31 December 2015, the Group owned a total of 3,883 stores, which was 408 less than that in 2014. The number of franchised stores decreased by 355, mainly due to having to face the same unfavorable market conditions as the directly-operated stores did, and the Group standardized its franchise management. Approximately 83% of the Group's stores are located in Eastern China.

	Hypermarkets	Supermarkets	Convenience Stores	Total
Directly-operated	157	591	817	1,565
Franchise	–	1,532	786	2,318
Total	157	2,123	1,603	3,883

Note: The above-mentioned data were as of 31 December 2015.

Focus on reform

During the period under review, the Group proactively implemented its gross profit-oriented reform, featuring

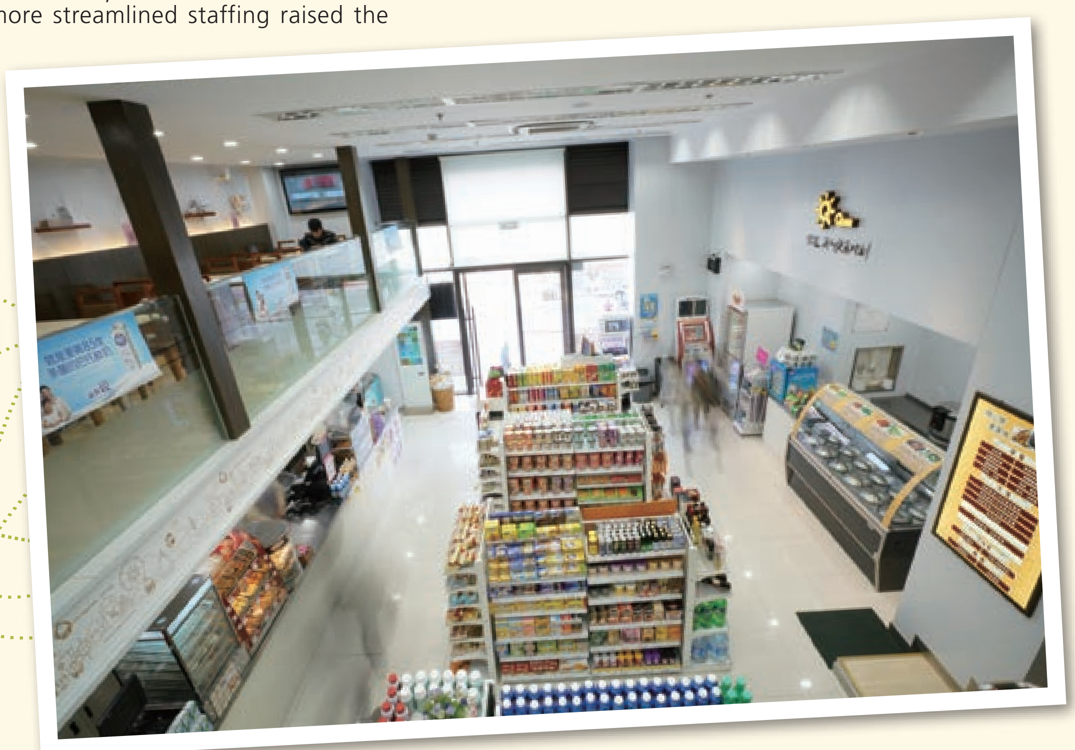
disintermediation and increasing the proportion of direct procurement to place orders directly with manufacturers. Meanwhile, the procurement of fresh produce extended up-stream, including the construction of bases and new connections with rural cooperatives to expand the amount of direct procurement from the fields. The Group's gross profit margin has grown steadily through these optimization initiatives, which have notably lowered the cost of procurement.

During the period under review, the Group proactively adopted a market-oriented operation and management model, implemented talent management, professionalized the operation team, and developed younger management personnel. The steady structural reform of the head office, the reduction in new departments, and more streamlined staffing raised the level of management efficiency during the year. The "Regionalization" reform was deepened, coupled with the further clarification of authority, responsibilities and interests between the regional company and the head office. The regional company's clear position as a market player enhanced the regional companies' performance and operational efficiency.

During the period under review, by linking personal income to job achievements and performance, the Group implemented a per capita benefit of fresh produce operation incentive assessment program in hypermarkets of Shanghai. This took per capita benefit as the main evaluation indicators, and helped boosting the enthusiasm of employees in fresh produce operation, which improved fresh produce operations significantly while maintaining the number of employees unchanged. The convenience store segment continued to improve this mechanism through internal franchise transformation. Also, the method of appraising procurement personnel was further improved by increasing the weight attributable to consolidated gross profit in all performance indicators, which guided the procurement personnel to be more sales-oriented and purchase more marketable goods to meet customer needs better.

Promote transformation

During the period under review, the Group's hypermarkets conducted benchmarking comparison to other advanced enterprises in the industry. Through observing and utilizing their operating techniques for dealing with fresh produce, the Group's hypermarkets reformatted their operational flow, revamped their management system for the display of products, improved loss management, stocktaking of products,



inventory management and pricing methods for the fresh produce. Particularly for vegetables, fruit, aquatic products and meat, all of the measures not only enriched the commodity mix but also remarkably improved the appearance of products as well as the shopping experience for customers. Moreover, the sales of fresh produce and the proportion of fresh produce offered by the Group were both increased, which increased recognition and inflow of the customers.

During the period under review, the Group's supermarkets proactively enhanced their capacity for fresh produce, reinforced their positioning as community-based stores, and also upgraded and reformed certain stores by providing bigger operating areas for fresh produce, greater varieties of fresh produce to achieve greater sales proportion contributed by fresh produce. In 2015, 54 directly-operated stores in the supermarket segment underwent these strategic improvements. As of 31 December 2015, the reformed stores' image has been promoted, and the improved results of the reformed stores exceeded last year remarkably.

During the period under review, the Group's convenience stores implemented the "Asset Light and Capacity Enhancement" project, committing to streamlining the existing store inventory, adjusting and optimizing commodity structure, expediting development of new products for fresh produce and the exclusive "Little-Q" brand products, and expanding the selection of imported products, all of which attracted more young customers. Concurrently, the number of pilot composite stores was increased. As of 31 December 2015, the Group's convenience store segment owned 3 composite stores, the average daily sales of which have successfully reached the level of commercial stores. The Group also reformed a number of its normal convenience stores to improve performance, proactively cooperated with the well-known e-commerce merchants, introduced diversification of payment methods for shopping and brought further convenience to customers. During the period under review, 32 stores underwent improvements.

Identify growth areas

During the period under review, the Group strengthened its internal management and implemented internal audit supervision. Based on the problems found during auditing, effective measures were proactively taken to enhance enterprise operations and management to properly conduct relevant rectifications, so as to ensure healthy corporate development. The Group accelerated the implementation of standards for the corporate system, utilization of a standardized flow, and improved internal controls, so as to promote enhancement in term of operation and management, while forming a standardized and systematic mechanism with long-lasting effectiveness.

During the period under review, the Group strictly controlled all aspects of food safety and quality, and

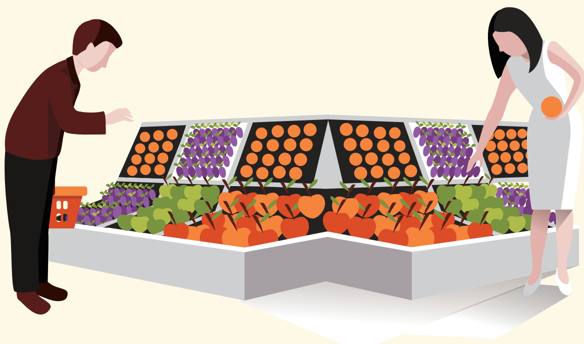
strengthened food safety management according to food safety regulations and policies. The Group strengthened the supplier qualification audit, improved the B2B license management platform, stringently executed inspection regulation, strictly implemented the standard inspections, strengthened product inspection rules, and performed supplier factory inspection reporting and random inspection systems. The Group also increased the frequency of inspection of its stores, reinforced training for the management personnel and procurement personnel of the stores, established awareness of quality and safety among all staff, and maintained a positive corporate image.

During the period under review, the Group improved its internal talent assessment and flow system, established internal cadres flow mechanism, actively cultivated talents, accelerated the young cadres training and improved its internal talent pool. The Group also enhanced the evaluation standards for employees, promoted rational use of personnel, and set up an internal knowledge transmission exchange mechanism to create a learning organization, and to encourage the enthusiasm and creativity of employees.

Create benefits

During the period under review, confronted with insufficient consumer demand, the slowdown of revenue growth, and rising fixed costs, the Group placed major emphasis on promoting scientific operational strategies and lowering costs and increasing earnings, including specifically targeting methods of minimizing expenses, fostering innovation, and increasing effectiveness. The Group also worked toward strengthening employees' concept of cost control, and enhancing awareness of broadening sources of income and cutting expenditure. These initiatives allowed the Group to strengthen corporate competitiveness by means of enhancing the labor efficiency per capita, improving profitability, and increasing advantageous cost competitiveness.

During the period under review, the Group proactively developed synergies between its online and offline businesses, introduced third-party payment means to provide customers with more convenient options, built up the omni-channel commercial model to provide customers with a better shopping experience, and expanded distribution channels and increased service functions. In 2015, the Group achieved online trading volume of RMB6,478.5 thousand, and the sales revenue amounted to RMB5,639.5 thousand.



During the period under review, the Group tapped the potential of existing stores, proceeded with planning for new operational layouts, expanded lease regions, minimized blank spots, sought and introduced resources of various functions to invite tenants, thereby increasing revenue from tenant recruitment and enhanced the Group's ability to attract customers.

During the period under review, the Group reinforced the management and control of expenses by virtue of comprehensive budget management.The Group simplified flow, re-defined posts and staffing, adopted rational employment, and cut payroll so as to achieve higher working efficiency and lower the cost of labor. The Group also optimized the investment in projects and equipments, and promoted investment cost control. The Group lowered the procurement cost of equipment by optimizing suppliers. The Group also adjusted the model for calculating electricity tariff, adopted time transition optimization and control on the use of electricity for each store, and installed the energy-saving equipment to effectively minimize overall energy use.

Employment, training and development

As of 31 December 2015, the Group had a total of 47,623 employees, a decrease of 5,282 as compared to that of 2014. Total employee expenditure amounted to RMB2,905,583 thousand.

During the period under review, the Group implemented reform to its incentive mechanism, with the formulation of the "Measures for Managing Total Wages", which determined the total amount of wages approved principles. Various accounting indicators linked to operational performance were introduced to allow the remuneration system to better calculate and deploy performance incentives. For instance, the Group adjusted the performance appraisal quota of the procurement department by adopting rolling data for the monthly appraisal, and applied the KPI to each category, variety and procurer. These efforts, which promoted performance bonus as an incentive, helped to encourage the creativity of employees, and promote sales and enhance effectiveness.

During the period under review, the Group endeavored to upgrade the quality of its internal training, strengthened the examination and approval of training projects, and placed emphasis on the analysis of training requirements and finding solutions to various types of business issues. The Group sought internal and external training resources, organized professional training courses, continued to launch school-enterprise cooperation projects, and continuously provided

support to the business department in terms of training resources and enhanced the training outcome by enriching training resources and adjusting training models. The Group also trained skilled operational staff based on member enterprises' need by improving the managing and operating capability of first-tier stores and organizing training for core staff. Meanwhile, emphasis was placed on building up an internal team of lecturers and the enhancement of the skills of personnel in first-tier stores, which expedited the cultivation and output of talents with various types of skills through rank appraisal, skill competitions and so on.

Strategy and Planning

In 2016, the international economic and political situation will remain complicated, and China will continue to deepen its economic and sociopolitical reforms, while destocking, deleveraging and cutting overcapacity. According to the official forecast, China's economic growth will present a moderately slow-down in 2016. As indicated by the survey covering 20,000 savings accounts conducted by the People's Bank of China (PBOC) in the fourth quarter of 2015, Chinese consumers are expecting a decline in future revenue growth. Due to this decline in consumer expectation, the Group anticipates that consumer spending will face headwinds in the future, which will constrain the revenue growth of Chinese retailers.

Despite the above adverse factors, it is important to note that although consumption has declined, it has become more important than ever for China economically. Consumption has become the main driving force and "stabilizer" for current and future economic growth. To emphasize consumption and to ensure it can remain a driving force, the Chinese government has focused on fostering new demand for consumption and boosting the supply of relevant industries and services. This includes innovative consumer goods, releasing the potential of domestic demand, removing deficiencies in people's living conditions, promoting industry upgrades and enhancing product quality. To achieve this, the government has launched a series of policies to stimulate consumption and foster future demand, which will not only ensure that consumption remains consistent, but will also help industries achieve transformation, innovation and development. All of this means that for physical retailers, new opportunities and challenges will appear in 2016.

In 2016, the Group anticipates that it will be faced with the pressure of weak market demand, which it will tackle through continued reforms and innovative transformation in order to halt declining sales and improve business performance. Pushing business performance back onto a growth track is the most important priority for the Group not only for 2016 but also for years to come. In 2016, the Group will focus on improving business performance, developing steadily, achieving breakthroughs in key areas, forming joint partnerships, creating business synergies, as well as cutting costs and increasing earnings. In line with the requirements for marketization, professionalization, and intensification, the Group is going to concentrate closely on setting up its industrial chain, strengthening the supply chain as well as integrating its market

chain. The Group will also deepen corporate reform, vigorously push for the development of e-commerce, and proactively build up the highly market-oriented omni-channel retail model, so as to improve the Group's performance and create value for the Group's customers, employees, shareholders and society in general.

According to the development strategy formulated by the 3-year action planning of the Group, in 2016, the Group will continue to proactively develop new outlets in the region of the Yangtze River Delta, and focus on expanding via a two-pronged strategy, namely direct operation and franchises, with the plan to open seven to nine new hypermarkets, supermarkets and convenience stores both around 150. In 2016, the Group will continue to adhere to its development strategy emphasizing quality and mainly developing close-relationship franchise stores, coupled with on-going reinforcement in the construction of a supporting system for the supply chain of franchise stores, in order to increase the income from the franchise wholesale and boost revenue from franchise fees.

In 2016, the total capital expenditure budget of the Group amounts to RMB841 million, among which, the investment in new stores development shall amount to RMB258 million,the investment in store upgrading and reform RMB173 million, the investment in e-commerce project RMB151 million, and the investment in Yangxunqiao logistics project 260 million.

In 2016, the Group will proactively adapt to changing consumer demand, endeavor to upgrade operational quality, and achieve corporate performance goals by virtue of structural adjustments and optimization, as well as developing brand new ERP system and improving the supporting system for the supply chain.

In 2016, the Group will enhance its operations with emphasis on two aspects. First, the Group is committed to the upgrade and reform of its existing stores. Based on the principle of "Precise positioning, in pursuit of floor efficiency and strengthen community services", the Group will upgrade and reform certain hypermarkets and directly-operated supermarkets. Hypermarkets shall focus on adjustments of lease space, layout, product offerings and staff allocation while supermarkets shall attach importance to adjustments of product offerings, equipment and staff. The Group will also increase the potential of existing stores by improving the shopping environment, diversifying services and optimizing structure so

as to achieve enhancement in overall operational performance. Secondly, the Group is committed to promoting the service level of its stores, regularize the service behavior of stores according to the standards of "5S & 5Q", strengthen the inspection of store operation, and further emphasize service etiquette training for store personnel to provide customers with a pleasant shopping experience so as to build up a positive brand image.

For the sake of coping with the rapidly changing market environment and strengthening the responsive capability of the organization for transformation, the Group will deepen its regional reform and focus on supply chain improvements on the basis of intensification, professionalization, and redundancy reduction. The Group will also adjust the operational and managerial framework and product management model in the region of Shanghai. This will mainly be done through restricting the business' core operational process and decentralizing the managerial chain in Shanghai, which should clarify the position that this business unit will play within the Group. The Group will also adjust its appraisal towards this business unit, so as to improve the operational quality in the region of Shanghai.

In 2016, the Group will proactively cooperate with Yonghui Superstores, its substantial shareholder, to make use of their strong supply chain of fresh produce in order to expand the source procurement of the Group's own fresh produce, enrich product lines, and lower the cost of procurement. Simultaneously, the Group will build up a joint procurement platform together with Yonghui Superstores and Wuhan

Zhongbai, which will allow for an in-depth cooperation in terms of private label brands, industrial products, imported products and brand suppliers resources, so as to fully utilize the advantage of a physical supply network and achieve scale efficiency.

In 2016, the Group will also endeavor to build up its own core capacity for managing fresh produce by innovating its operating model of fresh produce, upgrading store-level management ability for handling fresh produce, and constructing a central kitchen. In 2016, the Group will cooperate with global professional suppliers to embark on the planning, design and construction of factories that will supply baked goods and lunch boxes, in order to improve the supporting system for the supply chain of the convenience store segment and enrich the product mix of fresh produce for all segments, to better meet consumer demand for convenience consumption.

In 2016, the Group will take full advantage of innovative market resources, proactively connect with omni-channel business model, expand the scale of the Group's online sales and cultivate new business growth points through Bailian Omni-channel's e-commerce platform and related third party logistics. The Group will also push forward with digital reform of its stores, develop additional value-added services for online orders that are collected from physical stores, as well as implement additional efficiency improvements for orders made through Bailian Daojia (百聯到家) and alternative payment channels, so as to cope with the rapid development of e-commerce. With the integration of the offline and online business, the Group will enrich commodity mix, providing diversified shopping options at low prices for quality products, thereby attracting more customers and improving profitability.

In 2016, the Group will proactively recruit and foster new talents, focusing on the creation of a

In 2016, the Group will continue to adhere to the principle of "broadening sources of income and reducing expenditure, cutting costs for benefits", to make appropriate improvements, The Group will further achieve cost-cuts by lowering investment costs and operation costs through measures such as streamlining investment projects, setting quantifiable target for cost reductions, building up an appraisal system for suppliers, strengthening price negotiation, improving the tender system, and utilizing outright purchases. The Group will also boost employee awareness toward cost control through implementing various initiatives.

young, professional and enhanced team of talented individuals, alongside on-going improvements of the capabilities of the operation team on various levels through horizon training, skill training and quality cultivation. The Group will also emphasize innovative thinking, new approaches, and a vision adapted for the current consumption trend oriented toward the younger generation.


MOVING
OPEN
Natural


Fresh

Executive Directors

Mr. Chen Jian-jun (Note), aged 59, a senior economist, is the Vice President of Bailian Group Co., Ltd ("Bailian Group"), the chairman of the Board and the party secretary of the Company. Mr. Chen graduated from Shanghai Second Polytechnic University (上海第二工業大學) in 1998 with a Bachelor's degree in computer application. From 1998 to 2000, he pursued a postgraduate degree at Research Institute of Yangtze River Development of East China Normal University, majoring in regional economics. Mr. Chen was the deputy chief officer, chief officer and deputy director of the resource office of Shanghai First Commercial (上海市商業一局), deputy human resources manager and manager of Hualian Group Company (華聯集團公司). He was appointed as assistant to general manager and deputy general manager of Hualian Group Company, in 2000 and 2002 respectively. During his tenure at Hualian Group Company, Mr. Chen held concurrent posts as a director of Hualian Supermarket Holdings Company Limited ("Hualian Supermarket"華聯超市股份有限公司) (a company listed on the Shanghai Stock Exchange and now known as Shanghai Xinhua Media Co., Ltd,) and chairman of Shanghai Auction Co., Ltd. (上海拍賣行有限公司). From late 2003 to April 2007, he was the supervisor and secretary of party general branch of the disposal centre of Bailian Group and was appointed as the party secretary and secretary of disciplinary committee of the supermarket merchandising division of Bailian Group since April 2007. From May 2009 to December 2013, Mr. Chen was appointed as member and chairman of supervisory committee of the Company. Since May 2009, Mr. Chen was the party secretary of the Company. In 2010, he was awarded the "Outstanding Organizer of 'Pioneering Programme of Shanghai World Expo' of Shanghai SASAC System" (上海市國資委系統"世博先鋒行動"優秀組織者). Mr. Chen was appointed as vice chairman of the supervisory committee of Shanghai Bailian from October 2011 to June 2015. Mr. Chen was appointed as director of Shanghai Bailian in June 2015. Mr. Chen was appointed as an executive director and the chairman of the Board of the Company on 30 December 2013 and resigned in November 2015.

Mr. Hua Guo-ping (Note), aged 53, graduated from Tongji University (同濟大學) in 1986 with a Bachelor's degree in electrical appliances automation. In 1989, he graduated from Tongji University with a Master's degree in industrial enterprise engineering management. Between 1993 and 1997, Mr. Hua worked for Hong Kong Tak Shun Investment Consultancy Company Limited (香港德信投資諮詢公司), Shanghai Pudong State-owned Assets Investment Management Co., Ltd. (上海浦東國有資產投資管理公司) and Shanghai Dong Shen Economic Development Co., Ltd. (上海東申經濟發展有限公司). From 1997 to 1999, he worked for Shanghai Industrial Asset Management Company Limited (上海上實資產經營有限公司) as deputy general manager. From 1999 to 2000, he was the deputy general manager of Shanghai Industrial United Limited (上海實業聯合集團股份有限公司). From 2001, he has been the managing director of Shanghai Industrial United (Group) Commercial Network Development Company Limited (上海實業聯合集團商務網絡發展有限公司). Between May 2000 and the end of 2003, Mr. Hua was a director of the Company. He was also the deputy general manager of the Company commencing from August 2003 until the end of 2003. He was the deputy general manager of the supermarket merchandising division of Bailian

Group since 2004 and became the general manager in 2006. Mr. Hua was re-elected as a non-executive director of the Company at the annual general meeting for the year 2004, and since June 2009, he has been appointed as the general manager of the Company. From June 2010 to June 2015, Mr. Hua was a director of Shanghai Bailian. In March 2010, Mr. Hua was redesignated as an executive director of the Company and also the chairman and/or director of a number of operating subsidiaries of the Company, responsible for the operation and management of the Group. He resigned the position of the general manager of the Company in August 2015 and resigned as the executive director of the Company in November 2015.

Ms. Qi Yue-hong, aged 46, an economist, is the vice chairman and deputy secretary of CPC committee of the Company. Ms. Qi graduated from Fudan University in cultural heritage and museology and international economic law in 1993. From September 1993 to February 2002, she was a store management staff, the deputy manager of the eastern building management department and the director of the supervision and audit office of Shanghai No. 1 Department Store Co., Ltd. (上海市第一百貨商店股份有限公司, a company used to be listed on the Shanghai Stock Exchange who changed its name to Shanghai Bailian Group Co., Ltd and was incorporated into Shanghai Bailian in 2011). She was the assistant to general manager of Shanghai No. 1 Yao Han Co., Ltd. (上海第一八佰伴有限公司) from February 2002 to January 2003. She was the deputy manager of the personnel department of Shanghai Yibai (Holdings) Company Ltd. from January 2003 to March 2004. She was the deputy general manager of Orient Shopping Centre Ltd. (東方商廈有限公司) from March 2004 to September 2005. She was the general manager of Changsha Bailian Orient Shopping Centre Ltd. (長沙百聯東方商廈有限公司) from September 2005 to March 2007. She was the general manager and secretary of party general branch of Shanghai New Hua Lian Mansion Co., Ltd. (上海新華聯大廈有限公司) from March 2007 to January 2008. She was the general manager and secretary of party general branch of Shanghai Bailian Xijiao Shopping Centre Co., Ltd. (上海百聯西郊購物中心有限公司) from January 2008 to March 2010. She was the deputy general manager of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司, a company used to be listed on the Shanghai Stock Exchange) from March 2010 to March 2012 and has been appointed as vice general manager of Shanghai Bailian. Ms. Qi was the deputy general manager of the Company since March 2012, and has been appointed as an executive director of the Company since 18 June 2013 and vice chairman of the Company since November 2015.

Mr. Zhou Zhong-qi (Note), aged 58, a senior accountant, graduated from Fudan University (復旦大學) in 1999 with a Bachelor's degree in International Trade. Mr. Zhou served as director and chief financial officer of Shanghai No.1 Department Store Company Limited (a company formerly listed on the Shanghai Stock Exchange whose name changed into Shanghai Bailian Group Co., Ltd in November 2004 and later incorporated into Shanghai Friendship in 2011) for the period from July 2000 to October 2003. For the period from June 2005 to September 2006, Mr. Zhou served as the chairman of the supervisory committee of Hualian Supermarket. Mr. Zhou has also successively served as the deputy-head and head of the finance department of Shanghai No.1 Department Store Company Limited, manager of the finance department of Shanghai Orient Shopping Centre Ltd., manager of the finance department of Shanghai Yibai (Holdings) Company Ltd. (上海一百(集團)有限公司), chief financial officer of the supermarket merchandising division of Bailian Group, chief financial officer of Shanghai Bailian E-Commerce Co., Ltd. (上海百聯電子商務有限公司), and director and chief financial officer and member of the party committee of Bailian E-Commerce Co., Ltd.. Mr. Zhou joined the Group from 26 November 2013 and served as the chief financial officer of the Company. Mr. Zhou was appointed as an executive director of the Company on 20 December 2013 and a joint company secretary of the Company on 30 December 2013. Mr. Zhou resigned the position of joint company secretary, CFO and executive director of Company in October 2014, June 2015 and November 2015 respectively.

Mr. Shi Hao-gang (Note), aged 58, is a political work instructor. Mr. Shi graduated from Macao University of Science and Technology with a major in Business Administration in August 2001, and holds a postgraduate degree. From April 1976 to January 1979, Mr. Shi served as a platoon leader and the Youth League secretary of Nanhui Chaoyang Farm (南匯朝陽農場). From February 1979 to October 1995, Mr. Shi served as an officer of Shanghai Silk Weaving Factory No. 6 (上海絲織六廠). From November 1995 to May 2010, Mr. Shi worked in Hualian Supermarket Holdings Co., Ltd., where he had successively served as a key officer, deputy manager, and manager of human resources department, the assistant to the general manager and the general manager of Shanghai operations, the assistant to the general manager and the general manager of East China operations, the manager of the operation management department and the deputy general manager. From June 2010 to February 2012, Mr. Shi served as the deputy general manager of Shanghai Lianhua Supermarket Development Co., Ltd. From March 2012 to March 2014, Mr. Shi has served as the general manager and deputy party secretary of Shanghai Lianhua Supermarket Development Co., Ltd. From April 2014 to November 2015, Mr Shi served as the deputy general manager of the Company and served as the executive director of the Company from June 27, 2014 to November 2015. Mr. Shi was appointed as supervisor of the Company in November 2015.

Non-Executive Directors

Mr. Ye Yong-ming, aged 51, is a member of the Communist Party of China and holder of master's degree in EMBA with China Europe International Business School. Mr. Ye has been the secretary of Party Committee, chairman of the Board and president of Bailian Group since September 2015. He has served successively as a vice president of SAIC Motor (Shanghai Automatic Industrial Corporation Motor, 上海汽車集團股份有限公司, a company listed on the Shanghai Stock Exchange with stock code 600104), general manager of SAIC General Motors Corporation Limited, deputy general manager, general manager and deputy secretary of Party Committee of SAIC Sales Co., Ltd. (上海汽車工業銷售總公司), executive manager of Shanghai Volkswagen, general manager of SAIC-Volkswagen Sales Co., Ltd. (上海上汽大眾汽車銷售有限公司), vice president (in charge of vehicle services) and a member of the Party Committee of SAIC Motor. Mr. Ye has been appointed as a non-executive Director and chairman of the Board since November 2015.

Mr. Zhang Xuan-song, aged 44, is currently the chairman & legal representative of Yonghui Superstores Co., Ltd. ("Yonghui Superstores"), (永輝超市股份有限公司), a company listed on the Shanghai Stock Exchange with Stock No. 601933). Mr. Zhang is concurrently a deputy director of China Chain Store & Franchise Association (中國經營連鎖協會), vice chairman of the Fujian Provincial Federation of Enterprises and Entrepreneurs (福建省企業與企業家聯合會) and vice chairman of the Fujian Association of Public Companies (福建省上市公司協會). Mr. Zhang has served successively as manager of Gule Convenience Store and manager of Rongda Supermarket in Gulou District, Fuzhou City, manager of Yonghui Supermarket in the railway station area of Fuzhou City, Fujian province, executive director, general manager & legal representative of Fuzhou Yonghui Supermarket Co., Ltd. (福州永輝超市有限公司), executive director, general manager & legal representative and chairman & legal representative of Fujian Yonghui Group Co., Ltd. (福建永輝集團有限公司). Mr. Zhang was a delegate to the 11th People's Congress of Fujian Province. He has been honoured with a series of titles such as an "Outstanding Entrepreneur of China", a "Distinguished Entrepreneur of Fujian Province with Prominent Contributions" and a "Distinguished Figure from Non-public-owned Economy of Fujian Province with Outstanding Contribution to Public Services". Mr. Zhang has been appointed as a non-executive Director of the Company since November 2015.

Mr. Qian Jian-qiang, aged 54, is a postgraduate in Economic Management with Graduate School of Party School of the Central Committee of C.P.C. Mr. Qian has been the general manager, deputy secretary of the Party Committee and a director of Shanghai Bailian since June 2015. Mr. Qian once worked in the Organization & HR Department of Shanghai Foreign Supply Co., Ltd. (上海對外供應公司), and has been a manager of the Department Store of Shanghai Friendship Store, general manager of Shanghai Friendship Supply Co., Ltd. (上海友誼供貨有限公司), a director and general manager of Shanghai Friendship South Mall Co., Ltd. (上海友誼南方商城有限公司), assistant to the general manager of the Shopping Centre Department of Shanghai Bailian, assistant to the general manager of Shanghai Bailian, vice general manager of Shanghai Bailian, vice general manager and deputy secretary of the Party Committee of Shanghai Bailian. Mr. Qian possesses abundant experience in operation and management of retail commerce. Mr. Qian has been appointed as a non-executive Director of the Company since November 2015.

Ms. Zheng Xiao-yun, aged 53, is a senior accountant and postgraduate majoring in accounting of the Chinese University of Hong Kong. She has been the financial director and secretary of the Board of Shanghai Bailian since June 2015. Ms. Zheng once served as an accountant, assistant to the manager and vice manager of the Financial Department in Shanghai Forever Co., Ltd. (上海永久股份有限公司). She has served successively as financial director of Shanghai Advertisement & Decoration Co., Ltd. (上海市廣告裝潢公司), vice manager of the Financial Department of Shanghai Yibai (Group) Co., Ltd. (上海一百（集團）有限公司), financial director of Shanghai Quanfang Investment Management Co., Ltd. (上海全方投資管理有限公司), financial director of the Comprehensive Business Department of Shanghai Bailian, financial director of Shanghai Bailian Investment Management Co., Ltd. (上海百聯投資管理有限公司), financial director of Shanghai Bailian Group Asset Operation & Management Co., Ltd. (上海百聯集團資產經營管理有限公司) and director of Shanghai Baihong Trading Co., Ltd. (上海百紅商業貿易有限公司) and chairman of Hualian Group Asset Trust Co., Ltd. (華聯集團資產託管有限公司), and financial director of Bailian E-commerce Co., Ltd. (百聯電子商務有限公司). Ms. Zheng possesses abundant experience in financial management. Ms. Zheng has been appointed as a non-executive Director of the Company since November 2015.

Mr. Zhang Jing-yi, aged 56, is a senior economist. He completed the on-the-job postgraduate course for the major of International Economic Law in East China University of Political Science and Law. From August 2009 till now, he has been the secretary to the board of directors of Yonghui Superstores. He successively served as the deputy head of the education department, the director of the party committee office and the secretary to the board of directors of Shanghai San'aifu New Materials Co., Ltd. (上海三愛富新材料股份有限公司, a company listed on the Shanghai Stock Exchange with Stock Code: 600636), a director of Shanghai Coatings Co., Ltd. (上海塗料公司), the secretary to the board of directors of Changshu San'aifu Fluorine Chemical Co., Ltd. (常熟三愛富氟化工有限公司), the secretary to the board of directors of Changshu San'aifu Zhonghao New Materials Co., Ltd. (常熟三愛富中昊新材料有限公司), a director of Shanghai Fluorine Fine Chemical Co., Ltd, the chairman of Inner Mongolia San'aifu Fluorine Chemical Co., Ltd. (內蒙古三愛富氟化工有限公司) and a director of Zhongbai Holdings Group Co., Ltd. (中百控股集團股份有限公司, a company listed on the Shenzhen Stock Exchange with Stock Code: 000759). Mr. Zhang was awarded the title of the Gold Medal Board Secretary by the news media several times from 2011 to 2013. Mr. Zhang has been appointed as a non-executive Director of the Company since November 2015.

Mr. Li Guo-ding (Note), aged 60, graduated from Staff and Worker University of Shanghai First Commerce Bureau (上海市第一商業局職工學校) with a college degree in commerce and economics. Mr. Li served for Shanghai Hualian Co., Ltd ("Shanghai Hualian") successively as sales clerk, manager and assistant to general manager from April 1976 to May 1993. From May 1993 to May 2002, he worked as deputy general manager and also general manager of Shanghai Hualian. He was the general manager of Shanghai No. 1 Yao Han Co., Ltd. (上海第一八佰伴有限公司) from May 2002 to October 2003, and became the general manager of the department store segment of Shanghai Yibai (Holdings) Company Ltd. (一百集團有限公司) since January 2003. He was the deputy general manager of the department store segment of Bailian Group from October 2003 to January 2006, deputy general manager of Shanghai Bailian (a company formerly listed on the Shanghai Stock Exchange) from January 2006 to March 2010, and then promoted as general manager, deputy party secretary and director of Shanghai Bailian in March 2010. Mr. Li was the general manager, deputy party secretary and director of Shanghai Friendship from September 2011 to June 2015. Mr. Li was a non-executive director of the Company from June 2014 to November 2015. Mr. Li retired in November 2015.

Ms. Wu Jie-qing (Note), aged 41, graduated from Shanghai Academy of Social Sciences (上海社會科學院) with a master's degree in Industrial Economics. Ms. Wu served for Shanghai Friendship Group Co., Ltd (上海友誼集團有限公司) ("Friendship Group") as an officer of investment department from July 1997 to December 1999. She worked with Shanghai Friendship as director assistant of securities office from December 1999 to October 2001, and from October 2001 to October 2003, she worked at the strategy research office and human resources department of Friendship Group. Since October 2003, she has been supervisor of financial management department and securities affairs department, deputy director of securities affairs department and deputy director and director of asset management department of Bailian Group. Ms. Wu has been appointed as a director of Shanghai Bailian since June 2015. Ms. Wu was a non-executive director of the Company from June 2014 to November 2015.

Mr. Wong Tak Hung, aged 64, is the president of Wong Sun Hing Investment Co., Ltd. (王新興投資有限公司). From 1970 to 1978, Mr. Wong was the manager of Sun Hing Textile Factory (新興毛紡織造廠), and from 1978 to 1990, he was the managing director of Wong Sun Hing Company Limited (王新興有限公司). Since 1990, he has been the president of Wong Sun Hing Group (王新興集團). He has also been the chairman of Shenzhen Xin Xing Entrepreneurship Guarantee Company Limited (深圳新興創業擔保有限公司) since 2003 and he has been acting as the chairman of Guangzhou Wanling Properties Company Limited (廣州市萬菱置業有限公司) from 2004. Since 2005, he has also been acting as the chairman of Wanling Industrial (Guangdong) Company Limited (萬菱實業(廣東)有限公司). Mr. Wong joined the Group in April 1997, and he has over 30 years of business experience.

Independent Non-Executive Directors

Mr. Xia Da-wei, aged 63, is a professor and a doctoral tutor of Shanghai National Accounting Institute and deputy chairman of the Chinese Industrial Economic Association (中國工業經濟學會), consultant of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則委員會), chairman of Shanghai Accounting Association, honorary professor of The Chinese University of Hong Kong (香港中文大學), part-time professor of the School of Management of Fudan University and member of the listing committee of Shanghai Stock Exchange. Mr. Xia is also an independent director of Baosteel Holdings Co.，Ltd (寶鋼股份有限公司) (a company listed on the Stock Exchange), an independent director of Shanghai Electric Power Co., Ltd. (上海電力股份有限公司) (a company listed on the Shanghai Stock Exchange) and an independent director of China United Network Communications Limited (中國聯合網絡通信股份有限公司) (a company listed on the Shanghai Stock Exchange). He joined the Group in September 2004.

Mr. Lee Kwok Ming, Don, aged 58, is the financial controller of Stella International Holdings Ltd. (九興控股有限公司), which is listed on the Stock Exchange. He is a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and an associate of the Chartered Institute of Management Accountants in the United Kingdom (英國特許管理會計師公會). He holds a Master's degree of science in business administration from the University of Bath (英國巴富大學). Mr. Lee has held the position of financial controller in various listed companies on the Stock Exchange. Mr. Lee has more than 30 years of financial management experience and extensive experience in mergers and acquisitions, as well as corporate finance. He joined the Group in May 2003.

Mr. Gu Guo-jian, aged 61, studied in the department of trade and economics of Shanghai University of Finance and Economics from August 1983 to July 1979. From July 1983 to August 1985, Mr. Gu served as a staff member of Shanghai Textiles Co., Ltd. (上海市紡織品公司). From August 1985 to June 2014, Mr. Gu worked with Shanghai Business School, serving as a professor since 1999. From 2003 till now, Mr. Gu has served as the director of Shanghai Research Institute of Chain Operation (上海連鎖經營研究所). Mr. Gu has devoted to the study of chain operation of supermarkets for over 20 years with remarkable achievements in various fields, in particular the procurement by supermarkets of live and fresh produce directly from farms, the direct sales from farms to supermarkets, the docking of domestic and foreign trades and joint purchasing, and has proactively promoted the transformation of business practice in the domestic supermarket industry and organised joint purchasing activities for various supermarket operators. From 1995 till now, Mr. Gu has published a series of academic works such as "Prospects and Coping Strategies of Shanghai Supermarket Development","Chain Operation Management of Supermarkets", "Study on Hot Issues in Retail Industry" and "Returning to Commercial Essence". Mr. Gu joined the Group as an independent non-executive director in November 2015.

Mr. Wang Jin, aged 42, graduated from the Computer Science and Technology Department of Tsinghua University with a bachelor degree and subsequently received his master's degree from the Institute of Computing Technology of Chinese Academy of Science. Mr. Wang currently attends an on-the-job course from the PBC School of Finance of Tsinghua University. He currently holds various positions, including the director of E-commerce Research Office in the Research Institute of Information Technology of Tsinghua University (清華大學信息技術研究院電子商務研究室主任), the technical advisor for the Organizing Committee of China Chuangyi Competition of Soong Ching Ling Foundation (宋慶齡基金會中國創翼大賽組委會技術顧問) and the person-in-charge of Big Data on Cloud Computing of China Wearable Computing Alliance (中國可穿戴計算產業聯盟). He previously served as the CEO and chairman of the board of directors of Wangbo Network Technology (Beijing) Co., Ltd. (網博網絡技術(北京)有限公司) and worked at the Public Business Information Service Promotion Center of the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部公共商務信息服務推廣中心) as a deputy director and a chief engineer. Mr. Wang is an independent director of Yonghui Superstores. Mr. Wang has 10 years of experience in technical design and development of financial transaction products and 12 years of experience in the technology development of internet e-commerce and internet finance as well as the research of profit model and management model. Mr. Wang joined the Group in November 2015.

Mr. Zhang Hui-ming (Note), aged 59, is the head of the Enterprise Research Institute (企業研究所) and standing deputy director of Yangtze River Delta Research Institute (長江三角研究院) at Fudan University. Professor Zhang graduated from Fudan University with a Bachelor's degree in economics in 1982, a Master's degree in economics in 1984, and a doctorate in economics in 1995. He has been teaching at Fudan University since 1984 and was promoted to the position of professor in 1996. Since 1997, he has been a tutor for the doctorate programme on enterprise theory and practice. Professor Zhang has published nine books and over 200 research papers in various national magazines. He is an independent director of Bright Life Real Estate Group Co., Ltd. (光明房地產集團股份有限公司) (a company listed on the Shanghai Stock Exchange) and Shanghai Jielong Industry Group Corporation Limited (上海界龍實業集團股份有限公司) (a company listed on the Shanghai Stock Exchange) respectively. He joined the Group in January 2003 while resigned the position of independent non-executive director in November 2015.

Mr. Huo Jia-zhen (Note), aged 54, holds a doctorate degree in Management from Tongji University. He is currently a professor of the School of Economics and Management at Tongji University. He is also serving as a standing member of the Society of Management Science and Engineering of China, and the Vice Chairman and Secretary of the Shanghai Management Science Society. Mr. Huo has been engaged in the teaching and research of corporate management theory, supply chain management and management information system for many years and was in charge of various crucial projects of the NSFC, as well as numerous government sponsored research at the national and provincial level, such as the major technological development projects and focal technological development projects of the Science and Technology Commission of Shanghai Municipality. He was in charge of the corporate management consultation and the design of information systems of over ten well-known companies. Mr. Huo won the Technological Progress Award of Shanghai Municipality and the Technological Progress Award from the Ministry of Education four times between 2005 and 2011. He also won the title of Outstanding Academic Leader of Shanghai in 2009, and has published over 50 academic papers abroad and domestically. Mr. Huo served as an independent director of Oriental International Enterprise Limited (a company listed on the Shanghai Stock Exchange) between June 2005 and June 2011, and has been serving as an independent director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (a company listed on the Shanghai Stock Exchange) since June 2011. He joined the Group in August 2013 while resigned the position of independent non-executive director in November 2015.

Supervisors

Mr. Lv Yong, aged 58, graduated with a Bachelor's degree in economics in Shanghai University of Finance and Economics. Since October 2015, he has been the chief financial officer and member of the party committee of Bailian Group. He served as chief officer of infrastructure audit department of Shanghai Municipal Audit Bureau, deputy officer of training center of Shanghai Municipal Audit Bureau, deputy principal of SHTVU (Shanghai TV University), Shanghai Municipal Audit Bureau Branch, deputy director and director of general office of Shanghai Municipal Audit Bureau, chief accountant and chief financial officer of Shanghai Yibai (Holdings) Company Ltd. (上海一百(集團)有限公司), chief financial officer of Shanghai Brilliance (Group) Co., Ltd. (上海百聯(集團)有限公司), and chief financial officer of Bailian Group. Mr. Lv has extensive experiences in corporate management. Mr. Lv has been appointed as a Supervisor and Head of the Supervisors Committee the Company in December 2015.

Mr. Wang Zhi-gang (Note), aged 59, a senior economist. Mr. Wang graduated from Renmin University of China (中國人民大學) in 1982 and holds a Bachelor's degree in commerce and economics and graduated from Fudan University in 1991 and holds a Master's degree in administration and management. Mr. Wang previously served as division member, vice division head, assistant manager, vice manager of Shanghai Apparel and Shoes Company (上海市服裝鞋帽公司); executive vice general manager and general manager of Shanghai Fashion Co., Ltd. (上海時裝股份有限公司); general manager of Shanghai Jin'an Investment Management Co., Ltd. (上海金安投資管理有限公司); vice general manager of Shanghai Yibai (Holdings) Company Ltd. and a member of the board of directors of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司). Mr. Wang is currently the vice president of Bailian Group. In 1984, Mr. Wang was awarded as Shanghai Outstanding Young Entrepreneur (上海市優秀青年企業家) by The People's Government of Shanghai municipality. Mr. Wang was an executive director of the Company from June 2007 to June 2010 and was appointed as the Chairman of the Company from July 2007 to May 2009. Mr. Wang served as a non-executive director of the Company from January 2012 to November 2013, and was appointed as a supervisor of the Company on 20 December 2013. Mr. Wang has been appointed as Head of the Supervisors Committee in June 2014. Mr Wang resigned the position of a Supervisor in December 2015.

Ms. Tao Qing, aged 51, graduated from the Party School of C.C. of C.P.C. (中央黨校) with master degree in economy management. Ms. Tao served for the finance department of Shanghai Hualian successively as clerk, section member, chief member and deputy section chief from August 1985 to June 1996. She was the manager of the finance division of Shanghai New Hua Lian Mansion Co., Ltd. (上海新華聯大廈有限公司) ("New Hua Lian Mansion") from June 1996 to June 1999, the deputy manager of the finance department of Shanghai Hualian Co., Ltd and the chief financial officer of New Hua Lian Mansion from June 1999 to February 2000, and promoted as manager of the finance department of Shanghai Hualian Co., Ltd and the chief financial officer of New Hua Lian Mansion in February 2000. She took the role of chief financial officer of Shanghai Jinzhao International Trading Co., Ltd. (上海金照國際商貿有限公司) from January 2001 to January 2004. Ms. Tao has been the director assistant of the auditing center, manager of the No.1 auditing division, deputy director and director of the auditing center of Bailian Group since January 2004. Ms. Tao was a supervisor of Shanghai Bailian between October 2011 and June 2015. Ms Tao has been appointed as supervisor of the Company since June 2014.

Mr. Shi Hao-gang

Please refer to the profiles of Executive Directors (page 42)

Ms. Qian Li-ping (Note), aged 47, master's degree. Ms. Qian successively served as the deputy party secretary, secretary of disciplinary committee and chairman of the labour union of Shanghai Timber Corporation (上海市木材總公司); the deputy party secretary and deputy general manager, chairman of the labour union and party secretary of Shanghai Material Trading Group Automobile Trade Co., Ltd. (上海物貿集團汽車貿易有限公司) ("Material Trading Automobile"); the party secretary, deputy general manager, secretary of disciplinary committee and chairman of the labour union of Material Trading Automobile; the party secretary and chairman of the labour union of Shanghai Bailian Automobile Service Trade Co., Ltd. (上海百聯汽車服務貿易有限公司) and the deputy party secretary, secretary of disciplinary committee and chairman of the labour union of Bailian Group Real Estate Co., Ltd. (百聯集團置業有限公司). Ms. Qian joined the Group and was appointed as the deputy party secretary, secretary of disciplinary committee and chairman of the labour union of the Company since November 2013, and was appointed as a supervisor of the Company on 3 December 2013. Ms. Qian resigned the position of Supervisor in November 2015.

Company Secretary

Ms. Hu Li-ping, aged 51, graduated from Macau University of Science and Technology with a Master's Degree in Business Administration in 2003. She is an accountant as approved by the Ministry of Finance of the PRC in 1998. She served as the Deputy Manager, Manager of Financial Department and the Chief Financial Officer of Hualian Supermarket Co., Ltd from January 1997 to November 2013. Ms. Hu was also the Chief Financial Officer of Shanghai Lianhua Supermarket Development Co., Ltd (a subsidiary of the Company) from July 2010 to November 2013. She has been the Chief of Financial Administration Department of the Company since November 2013. She was also appointed as the Chief of Securities Affairs Department of the Company from August 2014. Ms. Hu has been appointed as joint company secretary of the Company since 16 October 2014 and has been chief financial officer of the Company since June 2015.

Mr. Mok Chung Kwan Stephen, aged 51, is a solicitor as defined in the Legal Practitioners Ordinance and currently a partner of Eversheds. Mr. Mok graduated from the University of New South Wales in Australia with Bachelor of Commerce (Accounting)/ Bachelor of Laws degrees. Mr. Mok possesses qualifications as a practicing solicitor in England and Wale, New South Wales of Australia, and Hong Kong. Mr. Mok has extensive experience in general business practices and corporate financial transactions, such as assisting corporations on listing their shares on the Stock Exchange, merger and acquisitions, corporate restructuring, organising joint ventures, and compliance with the Listing Rules and securities-related laws of Hong Kong. Mr. Mok was the joint company secretary of the Company for the period from 7 June 2004 to 9 March 2011 and has been the legal adviser of the Company since the listing of the Company on the main board of the Stock Exchange in 2003. Mr Mok was appointed as the joint company secretary of the Company on 30 December 2013.

Senior Management

Mr. Lin Song, aged 40, general manager of the Company. Mr. Lin has substantial experience in business management and corporate operations and has been in the supermarket retail industry for nearly ten years. From February 2006 to September 2014, Mr. Lin was with Yonghui Superstores. Co., Ltd (a listed company of Shanghai Stock Exchange), successively serving as manager of the fresh produce division of Fujian Liming Store, assistant to store manager of Fujian Rongqiao Store, store manager of Fujian University City Store, general manager of Fuqing District, Changle City, Fujian and chief executive of Jin'an District, Fuzhou City, Fujian. From September 2014 to July 2015, Mr. Lin was the vice general manager of Yonghui Superstores' e-commerce company. Mr. Lin has been appointed as general manager of the Company since August 2015.

Mr. Liang Bao-long, aged 51, is a senior operator and a logistician. Mr. Liang graduated from Tongji University in management engineering. From January 1999 to December 2001, he pursued a postgraduate degree at Shanghai Academy of Social Sciences, majoring in economics. From July 1984 to February 2003, Mr. Liang was a deputy section chief of the catering department, a deputy section chief and section chief of the general affairs office, and general manager of the logistics service centre of Shanghai Materials & Equipment School (上海市物資學校). From February 2003 to March 2012, he was the assistant to general manager and deputy general manager of Shanghai Modern Logistics Development & Investing Co., Ltd. (上海現代物流投資發展有限公司), he has concurrently worked as the general manager and deputy secretary of party general branch of Shanghai Changqiao Logistics Co., Ltd. (上海長橋物流有限公司), and the chairman of board and the party secretary of Shanghai Bailian Distribution Co., Ltd. (上海百聯配送實業有限公司). He has been the deputy general manager of the Company since March 2012.

Mr. Jiang Xiao-fei, aged 45, a senior economist, is a deputy general manager of the Company. Mr. Jiang graduated from Shanghai University of Finance and Economics in January 1996, holding a master's degree in International Business Management. From February 1996 to September 1997, Mr. Jiang was assistant to head of general manager office with Inner and Overseas General Trading Company, From October 1997 to September 1999, he was assistant director of investment department, assistant to head of general manager office of Shanghai Friendship Group. From October 1999 to January 2001, Mr. Jiang was manager of Eastern China Investment Development Department of Carrefour. From February 2001 to August 2003, he was development director of the Company. From September 2003 to December 2005, he was deputy general manager of the Company, and also deputy general manager of Shanghai Supermarket Administration Department from November, 2003. From January 2006 and March, 2012, he was general manager, deputy secretary of CPC committee and secretary of CPC committee of Hualian GMS Shopping Center Co., Ltd.. From March 2012 to May 2012, he was deputy general manager of Shanghai Century Mart Development Co., Ltd and from May 2012 till now, he has been the secretary of CPC committee and general manager of Shanghai Century Mart Development Co., Ltd. He has been appointed as deputy general manager of the Company since March 2015.

Ms. Cai Lan-ying (Note), aged 63, a senior economist. Ms. Cai graduated from Zhejiang Commercial and Technical College (浙江商業技術學校) with a diploma specializing in non-staple goods in 1969 and completed the economics programme at the Correspondence Institute of the Party School of C.C. of C.P.C. (中央黨校函授學院) Ms. Cai has more than 30 years' experience in the retail industry. She was a founder of Hangzhou Huashang Group Co., Ltd. (杭州華商集團有限公司) and served as general manager. She was appointed as the chairman of Hangzhou Lianhua Huashang in July 2002. Ms. Cai was awarded the prize of "Zhejiang Outstanding Entrepreneur" (浙江省優秀企業家) in 1990. She was also awarded the prize "Outstanding Operator with Prominent Contribution in Business and Trading Enterprises of Hangzhou in 2004" (杭州市二零零四年度突出貢獻商貿服務企業優秀經營者) in March 2005. Ms. Cai was appointed as an executive director of the Company since September 2004 and resigned as an executive director of the Company in June 2014. Ms. Cai resigned as deputy general manager of the Company in July 2015 due to age reason.

Note: The profiles of the Directors, supervisors and senior management who have resigned are as at the effective dates of their respective resignation.

Shareholding Structure

22.70%

Bailian (Group) Co., Ltd.

20.03%

Shanghai Bailian Co., Limited

21.17%

Yonghui Superstores Co., Ltd.

2.82%

Wong Sun Hing Investment Co., Ltd.

Lianhua Supermarket Holdings Co., Ltd

H Shares 33.28%

REAPING

Report of the Directors

The Board is pleased to present to the shareholders its report of the Company for the year ended 31 December 2015.

Principal activities and business review

The principal activities of the Group include the operation of hypermarkets, supermarkets and convenience stores in the PRC, mainly under four major brands of "Century Mart", "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik". The principal activities and other particulars of the subsidiaries are set out in note 16 and note 41 to the consolidated financial statements of the annual report.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis as set out on pages 33 to 37 of the annual report. These discussions form part of this directors' report.

The analysis of the principal activities of the Group during the financial year are set out in note 5 to the financial statements.

Major suppliers and customers

Percentages of purchases and sales attributable to major suppliers and customers of the Company during the year are as follows:

	2015 Percentage	2014 Percentage
Purchases		
Largest supplier	**1.87**	1.74
Five largest suppliers	**4.41**	4.74
Sales		
Largest customer	**0.07**	0.06
Five largest customers	**0.28**	0.25

During the year ended 31 December 2015, to the best knowledge of the Directors, none of the Directors, the supervisors ("Supervisors") of the Company, their respective associates, nor any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any direct or indirect interest in the share capital of the Group's suppliers and customers mentioned above.

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on pages 16 to pages 17 of the annual report.

Accounts

The audited results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 106 of the annual report.

The financial condition of the Group as at 31 December 2015 is set out in the consolidated statement of financial position on pages 107 to 108 of the annual report.

The cash flow of the Group for the year ended 31 December 2015 is set out in the consolidated statement of cash flow on pages 110 to 111 of the annual report.

Dividend distribution

The Board recommends not to distribute final dividend for the year ended 31 December 2015.

Reserves

Details of the movements in reserves during the period under review are set out in the consolidated statement of changes in equity on page 109 of the annual report.

Fixed assets

Movements of fixed assets during the period under review are set out in note 12 to the consolidated financial statements of the annual report.

Charitable donations

Charitable donations made by the Group during the financial year amounted to RMB287,573.

Bank loans, overdrafts and other borrowings

As at 31 December 2015, the Group had no other bank borrowings, except for existing borrowings of RMB2,000,000 due within one year from a non-wholly owned subsidiary of the Group.

Capitalised interest

During the period under review, no interest of construction in progress has been capitalised.

Listing of shares and changes

H shares of the Company were listed on the Main Board of the Stock Exchange on 27 June 2003.

The Company placed 34,500,000 new H shares on 4 October 2004. Accordingly, the total number of shares of the Company in issue increased from 587,500,000 shares to 622,000,000 shares. H shares in issue increased from 172,500,000 shares to 207,000,000 shares, representing approximately 33.28% of the Company's total share capital.

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 total number of shares of the Company in issue increased from 622,000,000 shares to 1,119,600,000 shares. H shares in issue increased from 207,000,000 shares to 372,600,000 shares, representing approximately 33.28% of the Company's total share capital. Please refer to the circular of the Company dated 13 May 2011 for the details of the issue.

Information on the performance of H shares of the Company in 2015:

Highest trading price per H share during the year	HK$7.35
Lowest trading price per H share during the year	HK$2.82
Total turnover volume of H shares during the year	366 million shares
Closing price per H share as at 31 December 2015	HK$3.38

Public float

The Company confirms that the Company's public float during the period under review complied with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Share capital

As at 31 December 2015, the classes and number of shares of the Company are as follows:

Class of shares	No. of issued shares ('000 shares)	Percentage (%)
Domestic shares	**715,397.4**	63.90
Attributable to:		
Bailian Group Co., Ltd.	**254,160**	22.70
Shanghai Bailian Group Incorporated Company	**224,208**	20.03
Yonghui Superstores Co., Ltd	**97,416.0**	21.17
Unlisted foreign shares	**31,602.6**	2.82
Attributable to:		
Wong Sun Hing Investment Company Limited	**31,602.6**	2.82
H shares	**372,600.0**	33.28
Total	**1,119,600.0**	100

Number of shareholders

As at 31 December 2015, details of shareholders as recorded in the register of shareholders of the Company are as follows:

Total number of shareholders	34
Shareholders of domestic shares	3
Shareholders of unlisted foreign shares	1
Shareholders of H shares	30

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;

(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.

Disclosure of interests

Directors, Chief Executive Officer and Supervisors of the Company

As at 31 December 2015, other than Mr. Xia Da-wei (an independent non-executive Director) who held 8,694 shares of Shanghai Bailian, none of the Directors, Supervisors or chief executive officer 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 (as defined in 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 Company's 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") of the Listing Rules.

As at 31 December 2015, (i) Mr. Ye Yong-ming, the chairman and a non-executive Director of the Company, was the chairman and president of Bailian Group and the chairman of Shanghai Bailian; (ii) Ms. Qi Yue-hong, the vice chairman and an executive Director of the Company, was the vice general manager of Shanghai Bailian; (iii) Mr. Qian Jian-qiang, a non-executive Director, was a director and the general manager of Shanghai Bailian; (iv) Ms. Zheng Xiao-yun, a non-executive Director, was the chief financial officer and secretary of the board of Shanghai Bailian; (v) Mr. Zhang Xuan-song, a non-executive Director, was the chairman of Yonghui Superstores; (vi) Mr. Zhang Jing-yi, a non-executive Director, was the secretary of the board of Yonghui Superstores; (vii) Mr. Lv Yong, a supervisor of the Company, was a director of Bailian Group; (viii) Mr. Wang Jin, an independent non-executive Director, was an independent director of Yonghui Superstores; and (ix) Ms. Tao Qing, a Supervisor, was the director of the auditing center of Bailian Group. As disclosed below, Shanghai Bailian had interests in the shares of the Company as at 31 December 2015 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 31 December 2015, the following persons (not being a Director, chief executive officer 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)	Domestic Shares	224,208,000	20.03%	30.01%	–
Yonghui Superstores	Domestic Shares	237,029,400	21.17%	31.73%	–
Bailian Group (Note 1)	Domestic Shares	478,368,000	42.73%	64.03%	–
Coronation Global Fund Managers (Ireland) Ltd	H shares	37,130,454 (L)	3.32%	–	9.97% (L)
FIL Limited	H shares	23,139,000 (L)	2.07%	–	6.21% (L)
Platinum Asia Fund	H shares	22,076,863 (L)	1.97%	–	5.93% (L)
Julius Baer International Equity Fund		12,191,558 (L)	1.09%	–	53.89% (L)
JPMorgan Chase & Co.	H shares	21,551,178 (L)	1.92%	–	5.78% (L)
		970,000 (S)	0.09%	–	0.26% (S)
		15,458,838 (P)	1.38%	–	4.14% (P)
Platinum Investment Management Limited	H shares	21,475,000 (L)	1.92%	–	5.76% (L)
Citigroup Inc.	H shares	19,706,790 (L)	1.76%	–	5.28% (L)
		2,023,000 (S)	0.18%	–	0.54% (S)
		17,660,665 (P)	1.58%		4.73% (P)

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

Notes:

1. As at 31 December 2015, Bailian Group directly and indirectly holds approximately 49.41% of the shares in Shanghai Bailian. As at 31 December 2015, Shanghai Bailian held 224,208,000 shares of the Company. Thus Bailian Group directly and indirectly holds approximately 478,368,000 shares of the Company, or 42.73% in proportion.

   As at 31 December 2015, (i) Mr. Ye Yong-ming, the chairman and a non-executive Director of the Company, was the chairman and president of Bailian Group and the chairman of Shanghai Bailian; (ii) Ms. Qi Yue-hong, the vice chairman and an executive Director of the Company, was the vice general manager of Shanghai Bailian; (iii) Mr. Qian Jian-qiang, a non-executive Director, was a director and the general manager of Shanghai Bailian; (iv) Ms. Zheng Xiao-yun, a non-executive Director, was the chief financial officer and secretary of the board of Shanghai Bailian; (v) Mr. Lv Yong, a Supervisor, was a director of Bailian Group.

2. 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 numbers of H shares of the Company held as at 31 December 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 31 December 2015.

Competing Interests

As at 31 December 2015, according to the Listing Rules, other than the Directors disclosed below, none of the Directors had any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group.

Name of Director	Name of entity whose business are considered to complete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Zhang Xuan-song	Yonghui Superstores	hypermarket and supermarket	Director
Wang Jin	Yonghui Superstores	hypermarket and supermarket	Independent Director

Pre-emptive rights

There are no provisions under the Articles of Association of the Company or any applicable laws and regulations requiring the Company to offer pre-emptive rights of new shares to its existing shareholders in accordance with the proportion of their respective shareholdings.

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 report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as notes to the consolidated financial statements set out in note 16 to the financial statements, there were no material acquisitions and disposals of subsidiaries and associated companies during the financial year.

Share capital interests held by the Directors and Supervisors

As at 31 December 2015, except Mr. Xia Da-wei (an independent non-executive Director) holds 8,694 shares of Shanghai Friendship, none of the Directors, Supervisors or chief executive officer of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (as defined in the SFO) which were required by section 352 of the SFO to be recorded in the register referred to therein, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors and Supervisors

The Directors and Supervisors during the period under review and up to the date of this report were as follows:

Executive Directors:

Mr. Chen Jian-jun (Note 1)
Mr. Hua Guo-ping (Note 2)
Ms. Qi Yue-hong (vice chairman)
Mr. Zhou Zhong-qi (Note 3)
Mr. Shi Hao-gang (Note 4)

Non-executive Directors:

Mr. Ye Yong-ming (Chairman, Note 5)
Mr. Zhang Xuan-song (Note 6)
Mr. Qian Jian-qiang (Note 7)
Ms. Zheng Xiao-yun (Note 8)
Mr. Zhang Jing-yi (Note 9)
Mr. Li Guo-ding (Note 10)
Ms. Wu Jie-qing (Note 11)
Mr. Wong Tak Hung

Independent Non-executive Directors:

Mr. Xia Da-wei
Mr. Lee Kwok Ming, Don
Mr. Gu Guo-jian (Note 12)
Mr. Wang Jin (Note 13)
Mr. Zhang Hui-ming (Note 14)
Mr. Huo Jia-zhen (Note 15)

Supervisors:

Mr. Lv Yong (Chairman, Note 16)
Mr. Wang Zhi-gang (Note 17)
Ms. Tao Qing
Ms. Qian Li-ping (Note 18)
Mr. Shi Hao-gang (Note 19)

Notes:

1. Mr. Chen Jian-jun resigned from the office of chairman and executive director on 17 November 2015.

2. Mr. Hua Guo-ping resigned from the office of executive director on 17 November 2015.

3. Mr. Zhou Zhong-qi resigned from the office of executive director on 17 November 2015.

4. Mr. Shi Hao-gang resigned from the office of executive director on 17 November 2015.

5. Mr. Ye Yong-ming was appointed as non-executive director and chairman on 17 November 2015.

6. Mr. Zhang Xuan-song was appointed as non-executive director on 17 November 2015.

7. Mr. Qian Jian-qiang was appointed as non-executive director on 17 November 2015.

8. Ms Zheng Xiao-yun was appointed as non-executive director on 17 November 2015.

9. Mr. Zhang Jing-yi was appointed as non-executive director on 17 November 2015.

10. Mr. Li Guo-ding resigned from the office of non-executive director on 17 November 2015.

11. Ms Wu Jie-qing resigned from the office of non-executive director on 17 November 2015.

12. Mr. Gu Guo-jian was appointed as independent non-executive director on 17 November 2015.

13. Mr. Wang Jin was appointed as independent non-executive director on 17 November 2015.

14. Mr. Zhang Hui-ming resigned from the office of independent non-executive director on 17 November 2015.

15. Mr. Huo Jia-zhen resigned from the office of independent non-executive director on 17 November 2015.

16. Mr. Lv Yong was appointed as supervisor of the Company on 28 December 2015.

17. Mr. Wang Zhi-gang resigned from the office of Supervisor of the Company on 28 December 2015.

18. Ms Qian Li-ping resigned from the office of Supervisor of the Company on 30 November 2015.

19. Mr. Shi Hao-gang was appointed as supervisor of the Company on 30 November 2015.

Details of the profile of the Directors, Supervisors and senior management of the Company are set out on pages 40 to 51. Save as disclosed in this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' and Supervisors' service contracts

The Company has entered into service contract with each of the executive Directors and independent non-executive Directors with a term ending on the date of conclusion of the annual general meeting of the Company for the year 2016, and such term is renewable subject to applicable laws. Neither the Directors, nor the Supervisors have a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' interests in contracts

No transaction, arrangement or contract of significance (as defined in the Listing Rules, and which remained effective during the year or at the end of the year) to the business of the Company to which the Company or its fellow subsidiaries was a party and in which a Director or Supervisor or an entity connected with a Director or Supervisor had material interests, either directly or indirectly, subsisted as at balance sheet date or at any time during the period under review.

Interest in shares or debentures acquired by the Directors and Supervisors

During the period under review, no arrangement was entered into by the Company or its fellow subsidiaries which enabled the Directors or Supervisors to acquire the shares or bonds of the Company.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Directors' Remuneration

The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the remuneration packages of each Director, market rates and factors such as each Director's workload and required commitment will be taken into account. In addition, factors comprising economic and market situations, individual contributions to the Group's results and development as well as individual's potential are considered when determining the remuneration packages of executive Directors.

Independence of the independent Directors

The Company has received written confirmation from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules concerning their independence. The Company considers that all existing independent non-executive Directors comply with the provisions of Rule 3.13 of the Listing Rules and are independent.

Highest paid individuals

All the five highest paid individuals of the Company during the period under review included one of the senior management of the Company. Details of their remuneration are set out in note 10 to the consolidated financial statements in this annual report.

Retirement pension schemes

In accordance with applicable laws and regulations in the PRC, full-time employees of the Group participate in various defined contribution retirement benefit schemes established by the relevant municipal and provincial governments of the PRC, under which the Group and the employees were required to make monthly contributions to these schemes at a particular percentage of the employees' salaries during the relevant periods. Forfeited contributions may not be used by the Company to reduce the existing level of contributions.

Please refer to note 39 to the consolidated financial statements of the Company for details of the retirement benefit plans.

Change of auditors

During the past three years, there had not been any change of the auditors of the Company.

Significant litigation

During the period under review, the Company had not engaged in any significant litigation.

Connected and related party transactions

During the year, the Group had significant transactions with related parties (as detailed in note 43 to the consolidated financial statements), certain of which fall into connected or continuing connected transactions within the meaning of Charter 14A of the Listing Rules, the details of which are set out below:

(a) Connected and related party transactions

	2015 RMB'000	2014 RMB'000
Sales to fellow subsidiaries	2,463	–
Purchases from fellow subsidiaries	112,943	168,078
Rental expenses and property management fee paid to fellow subsidiaries (note)	107,073	66,585
Rental expenses and property management fee paid to fellow subsidiaries (note)	98,111	77,380
Rental income from fellow subsidiaries	14,195	12,606
Commission income received from fellow subsidiaries	631	811
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	10,294	12,395
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	11,659	12,675
Interest income from fellow subsidiaries	1,285	3,347
Purchase from shareholder Yonghui Superstores	3,066	–
Management fee paid to Yonghui Superstores	2,041	–
Capital increase in fellow subsidiary	11,765	–
Cash and cash equivalents in a fellow subsidiary	237,182	172,716
Term deposits in a fellow subsidiary	415,000	340,000
Restricted term deposits in a fellow subsidiary	–	–

Note: The transaction include continuing connected transactions of RMB12,005 thousand (2014: RMB12,442 thousand) which were exempt from reporting, annual review, announcement and independent shareholders' approval under Rule 14A.33 of the Listing Rules.

The Company confirms that it has complied with the applicable disclosure requirements, in respect of the above transactions, in accordance with Chapter 14A of the Listing Rules. Please refer to the subsequent section headed "Connected transactions" for details of the above transactions.

(b) Related party transactions not falling into connected transactions

	2015 RMB'000	2014 RMB'000
Purchases from associates – Shanghai Gude Commercial Trading Co., Ltd., Sanming Taige Information Technology Co., Ltd. and Shantou Lianhua South Purchase and Distribution Co., Ltd.	12,257	31,462

Fellow subsidiaries referred above are other subsidiaries of Bailian Group.

Connected transactions

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

Connected transaction-Bailian E-commerce Capital Increase Agreement

On 12 March 2015, Bailian Group Co., Ltd., Shanghai Bailian Group Incorporated Company ("Shanghai Bailian"), Homemart Decoration and Materials Co., Ltd. (好美家裝潢建材有限公司) ("Homemart") and Lianhua E-Business Co., Ltd. ("Lianhua E-Commerce") entered into the capital increase agreement (the "Capital Increase Agreement"), pursuant to which, each of Bailian Group, Shanghai Bailian, Homemart and Lianhua E-Business agreed to increase their capital contribution to Bailian E-Commerce on a pro rata basis. The parties agreed to make a further capital contribution in the total sum of RMB100 million to Bailian E-Commerce, which will be used in increasing the registered capital of Bailian E-Commerce from RMB140.25 million to RMB240.25 million, among which:

1) Bailian Group agreed to make a further capital contribution in the sum of RMB76.4710 million by way of cash to Bailian E-Commerce;

2) Shanghai Bailian agreed to make a further capital contribution in the sum of RMB5.882 million by way of cash to Bailian E-Commerce;

3) Homemart agreed to make a further capital contribution in the sum of RMB5.882 million by way of cash to Bailian E-Commerce; and

4) Lianhua E-Business agreed to make a further capital contribution in the sum of RMB11.765 million by way of cash to Bailian E-Commerce.

The respective shareholding of Bailian Group, Shanghai Bailian, Homemart and Lianhua E-Business's in Bailian E-Commerce remains unchanged upon completion of the capital increase.

As Bailian Group and Shanghai Bailian are substantial shareholders of the Company, and Homemart is a subsidiary of Shanghai Bailian. Accordingly, Bailian Group, Shanghai Bailian and Homemart are connected persons of the Company and thus the capital increase under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the capital increase under the Capital Increase Agreement is more than 0.1% but less than 5%, it is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 12 March 2015 for relevant details.

Continuing Connected transaction – Zhejiang Yiwu Leasing Agreement

On 15 July 2015, Zhejiang Century Lianhua Supermarket Co., Ltd ("Zhejiang Century Lianhua") entered into the Zhejiang Yiwu Leasing Agreement with Yiwu City Life Co., Ltd ("Yiwu City Life"), pursuant to which, Zhejiang Century Lianhua agreed to lease the Yiwu Property located at No. 168 Wang Dao Lu, Yiwu, Zhejiang Province, the PRC ("Yiwu Property") from Yiwu City Life commencing from 15 July 2015 to 14 July 2016 (both days inclusive). Bailian Group is a substantial shareholder of the Company. Yiwu City Life is a wholly-owned subsidiary of Bailian Group and is therefore a connected person (as defined in Chapter 14A of the Listing Rules) of the Company and the transaction contemplated under the Zhejiang Yiwu Leasing Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The rent payable by Zhejiang Century Lianhua under the Zhejiang Yiwu Leasing Agreement for the period from 15 July 2015 to 14 July 2016 is RMB54,000,000 per annum, which shall be RMB4,500,000 per month. The rent is payable by Zhejiang Century Lianhua by way of cash on a monthly basis.

It is agreed that in the event that the shop of Zhejiang Century Lianhua at Yiwu Property operates at a loss, Yiwu City Life agreed to provide a rental reduction of no more than one third of the annual rental payable by Zhejiang Century Lianhua under the Zhejiang Yiwu Leasing Agreement, i.e. the rental reduction shall be no more than RMB18,000,000 per annum. The actual amount to be paid by Zhengjiang Century Lianhua to Yiwu City Life under the Zhejiang Yiwu Leasing Agreement shall therefore ranges between RMB36,000,000 to RMB54,000,000 per annum, depending on the amount of profit or loss generated by Zhejiang Century Lianhua each month.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Zhejiang Yiwu Leasing Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Zhejiang Yiwu Leasing Agreement is subject to the reporting, annual review and announcement requirements but is exempted from the independent Shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 14 July 2015 for relevant details.

Continuing Connected Transactions – Purchase of Goods Agreement

On 17 November 2015, the Company entered into the Purchase Framework Agreement with Yonghui Superstores Co., Ltd. ("Yonghui Superstores"), pursuant to which, the Company agreed to purchase various kinds of goods, including but not limited to fresh produce and foods, from Yonghui Superstores commencing on 17 November 2015 to 31 December 2015.

As Yonghui Superstores is a substantial Shareholder of the Company and a connected person (as defined in Chapter 14A of the Listing Rules) of the Company. Accordingly, the transactions contemplated under the Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The price for the goods to be purchased under the Purchase Framework Agreement is 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. The entering into of the Purchase Framework Agreement is in the ordinary and usual course of business of the Group. The maximum annual transaction amount payable by the Company for the year ending 31 December 2015 under the Purchase Framework Agreement is RMB30 million.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Purchase Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Purchase Framework Agreement are subject to the reporting, annual review and announcement requirements but is exempted from the independent Shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 17 November 2015 for relevant details.

Continuing Connected Transactions – Financial Services Agreement

On 28 February 2013, the Company, Bailian Group and Bailian Group Finance Co., Ltd. (百聯集團財務有限責任公司) ("Bailian Finance") entered into the financial services agreement (the "Financial Services Agreement") with a term ending on 31 December 2015, pursuant to which Bailian Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein. The major terms of the agreement are set out as follows:

1. Deposit cap: the maximum daily balance of the Group's deposits with Bailian Finance for each of the three years ending 31 December 2013, 31 December 2014 and 31 December 2015 is RMB1.2 billion (including any interest accrued therefrom).

2. Bailian Finance has undertaken to adhere to the principles below in relation to the provision of the financial services to the Group:

   (i) the interest rate payable by Bailian Finance to the Group for any deposits shall not be lower than the unified interest rate for comparable deposits as announced by the PBOC and shall not be lower than the interest rate paid by other major commercial banks in the PRC for comparable deposits;

   (ii) the interest rate to be charged for loans to be granted to the Group by Bailian Finance shall not be higher than the unified lending rate as announced by the PBOC during the same period and shall not be higher than the lending rate charged by other major commercial banks in the PRC for comparable loans;

   (iii) the service fees to be charged by Bailian Finance for the provision of other financial services to the Group, other than the deposit and loan services, shall not be higher than the service fees charged by other financial institutions in the PRC for comparable services; and

   (iv) the terms of services to be provided to the Group by Bailian Finance shall be no less favourable than those of comparable services provided by other financial institutions in the PRC.

3. The Company and Bailian Finance will enter into individual financial services agreements setting out specific terms including the type of services to be provided, the interest rate, the service fees, the payment terms and schedules. Such terms will be consistent with the principles and the terms of the Financial Services Agreement. If there is any conflict between the terms of an individual financial services agreement and the Financial Services Agreement, the latter shall prevail.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the provision of deposit services under the Financial Services Agreement is more than 5% but less than 25%, the Financial Services Agreement constitutes a discloseable transaction of the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Bailian Group is a substantial Shareholder of the Company. Bailian Finance is a subsidiary of Bailian Group. Accordingly, Bailian Finance and Bailian Group are connected persons of the Company and the Financial Services Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios for the provision of deposit services under the Financial Services Agreement is more than 5%, the provision of deposit services under the Financial Services Agreement is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The loan services to be provided by Bailian Finance to the Group the Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt under Rule 14A.65(4) of the Listing Rules from all reporting, announcement and independent Shareholders' approval requirements.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Bailian Finance in respect of the provision of other financial services under the Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the total fees payable by the Company to Bailian Finance for the provision of other financial services under the Financial Services Agreement exceed the relevant de minimis threshold.

The Financial Services Agreement and the continuing connected transactions and the annual caps contemplated thereunder were approved by the independent Shareholders of the Company at the annual general meeting on 18 June 2013.

Please refer to the announcement and circular of the Company dated 28 February 2013 and 18 June 2013 respectively for relevant details of the transaction.

Continuing connected transactions – lease agreements

The lease agreement dated 30 September 2003 was entered into between Century Lianhua as the lessee and Shanghai Bailian Xijiao Shopping Centre Co., Ltd. ("Bailian Xijiao", 上海百聯西郊購物中心有限公司), formerly known as Shanghai Friendship Shopping Centre Development Co., Ltd. (上海友誼購物中心發展有限公司), 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 lease agreement for each of the three years ending 31 December 2011 is subject to an annual cap of RMB16,700,000, details of which are set out in the announcement of the Company dated 28 November 2008. Century Lianhua is a subsidiary of the Company and Bailian Xijiao is a subsidiary of Shanghai Bailian, a substantial shareholder of the Company and thus such transactions constitute continuing connected transactions of the Company.

On 28 November 2011, the Board announced that the estimate annual rental payable (including the basic rent, the supplementary rent calculated at 2.5% of the turnover in excess of an average daily turnover of RMB640,000 of the hypermarket operating under the lease agreement payable by Century Lianhua ("Turnover Rent") and management fees) under the lease agreement for each of the three years ending 31 December 2014 will be subject to an annual cap of RMB20,000,000, after taking into account the following factors: (i) the 5% increment of the basic rent; (ii) the management fees of RMB2,400,000 per year; and (iii) the expected Turnover Rent payable by Century Lianhua for the three years ending 31 December 2014.

Please refer to the announcement of the Company dated 28 November 2011 for relevant details.

On 23 December 2014, the Board announced that the estimate annual rental payable (including the basic rent, the Turnover Rent and management fees) under the lease agreement ending 31 December 2017 will be subject to an annual cap of RMB16,000,000, after taking to account the following factors: (i) the 5% increment of the basic rent; (ii) the management fees of RMB2,400,000 per year; (iii) the expected Turnover Rent payable by Century Lianhua in view of the consumption power of the residents in the neighbourhoods of the Premises, the customer traffic of the business circle where the Premises locates in as well as the anticipated rises in prices of consumer goods in the PRC for the three years ending 31 December 2017.

Please refer to the announcement of the Company dated 23 December 2014 for relevant details.

The lease agreement dated 3 December 2002 and the supplemental lease agreement dated 31 December 2008 were entered into between Century Lianhua as the lessee and Homemart Decoration and Materials Co., Ltd. ("Homemart", 好美家裝潢建材有限公司) as the lessor in respect of the leasing of No. 645, Xie Tu Road, Lu Wan District, Shanghai, the PRC (the "Lease Transaction"). The annual rent (inclusive of management fee of RMB1,125,000 per year payable to Homemart) 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 are set out in the announcement of the Company dated 31 December 2008. On 16 April 2012, Century Lianhua, Homemart and Shanghai Century Lianhua Supermarket Luwan Co., Ltd. (上海世紀聯華超市盧灣有限公司) ("Century Lianhua Luwan Company", a wholly-owned subsidiary of Century Lianhua) entered into a supplementary agreement to agree that Century Lianhua Luwan Company was to replace Century Lianhua to undertake all the related rights and obligations of Century Lianhua under the Lease Transaction with effect from the date of registration with the business registration office. Since Homemart is a subsidiary of Shanghai Bailian, a substantial shareholder of the Company and thus such transactions constitute continuing connected transactions of the Company.

The lease agreement dated 13 February 2004 and the supplemental lease agreement dated 26 June 2009 were 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. Pursuant to the supplemental lease agreement, the annual rent and management fees of the premises will be reduced from RMB6,300,000 to RMB6,090,000 from 1 July 2009, with the same increment percentage as agreed in the lease agreement dated 13 February 2004. The rent will be payable by Century Lianhua directly to Shanghai Di Lin Trading Company Limited ("Shanghai Di Lin", 上海荻林工貿有限公司), the landlord of the premises, instead of Homemart and the management fees will continue to be paid by Century Lianhua to Homemart. The annual caps under the supplemental lease agreement is set out as follows:

	Annual caps under the supplemental lease agreement (RMB)
for the year ending 31 December 2009	6,195,000.00
for the year ending 31 December 2010	6,166,125.00
for each of the two years ending 31 December 2012	6,394,500.00
for the year ending 31 December 2013	6,474,431.30
for each of the two years ending 31 December 2015	6,714,225.20

	Annual caps under the supplemental lease agreement (RMB)
for the year ending 31 December 2016	6,798,153.00
for each of the two years ending 31 December 2018	7,049,936.40
for the year ending 31 December 2019	7,138,060.60
for each of the two years ending 31 December 2021	7,402,433.20
for the year ending 31 December 2022	5,551,824.90

Details of the above supplemental lease agreement are set out in the announcement of the Company dated 26 June 2009.

Given that each of the percentage ratios of the aggregate rent payable by Century Lianhua to Bailian Xijiao and Homemart under the aforementioned lease agreements is less than 5%, the above lease agreements are only subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The lease agreement dated 15 September 2006 was entered into between Century Lianhua as the lessee and Shanghai Bailian Central Shopping Plaza Co., Ltd. ("Bailian Central", 上海百聯中環購物廣場有限公司), formerly known as Shanghai Bailian De Hong Shopping Mall Co., Ltd. (上海百聯德泓購物中心有限公司), as the lessor in respect of the leasing of portion of area located within Bailian Central Shopping Plaza at No.1288 Zhenguang Road, Shanghai, the PRC for a term from 21 December 2006 to 20 December 2026. The annual rent of the premises is RMB11,988,750 per year from the first year to the third year, and starting from the fourth year onwards, a 5% increment is calculated based on the previous three-year period for every three-year period thereafter, and the management fee of the premises is RMB3,011,250 per year, details of which are set out in the announcement of the Company dated 2 March 2009. Since Bailian Central is a subsidiary of Bailian Group, a holding company of the Company's substantial shareholder, Shanghai Bailian, and thus such transaction constitutes continuing connected transactions of the Company.

The lease agreement dated 1 July 2010 was entered into between Century Lianhua as the lessee and Shanghai Bailian Nanqiao Shopping Centre Co., Ltd. (上海百聯南橋購物中心有限公司) ("Bailian Nanqiao") as the lessor in respect of the property located at room G41-B01-1-001 at B1 floor and a portion of area at first and second floors of Shanghai Bailian Nanqiao Shopping Centre, No. 228-288 Bai Qi Lu, Shanghai, the PRC. The maximum annual amount of the transaction payable by Century Lianhua under this lease agreement are set out as follows:

Period	Maximum Amount (RMB)
From 1 January 2010 to 31 December 2010 (Note 1)	1,410,000
From 1 January 2011 to 31 December 2011	4,220,000
From 1 January 2012 to 31 December 2012	4,220,000
From 1 January 2013 to 31 December 2013	4,400,000
From 1 January 2014 to 31 December 2014	4,400,000
From 1 January 2015 to 31 December 2015	4,400,000
From 1 January 2016 to 31 December 2016	4,580,000
From 1 January 2017 to 31 December 2017	4,580,000
From 1 January 2018 to 31 December 2018	4,580,000
From 1 January 2019 to 31 December 2019	4,770,000

Period	Maximum Amount (RMB)
From 1 January 2020 to 31 December 2020	4,770,000
From 1 January 2021 to 31 December 2021	4,770,000
From 1 January 2022 to 31 December 2022	4,970,000
From 1 January 2023 to 31 December 2023	4,970,000
From 1 January 2024 to 31 December 2024	4,970,000
From 1 January 2025 to 31 December 2025 (Note 2)	2,490,000

Note 1: The maximum amount of the transaction represents the amount of the transaction for the period after the end of the rent-free period, i.e., from 28 September 2010, to 31 December 2010.

Note 2: The maximum amount of the transaction represents the amount of the transaction from 1 January 2025 to the expiration of the term, i.e., 27 May 2025.

The relevant details are set out in the announcement of the Company dated 1 July 2010. Century Lianhua is a subsidiary of the Company, and Bailian Nanqiao is accounted and consolidated as a subsidiary of Bailian Group. As Bailian Group is the controlling shareholder of Shanghai Friendship (a substantial shareholder of the Company), such transactions constitute continuing connected transactions of the Company.

The lease agreement dated 1 July 2010 was entered into between Century Lianhua as the lessee and Shanghai Bailian Jinshan Shopping Centre Co., Ltd. ("Bailian Jinshan", 上海百聯金山購物中心有限公司), formerly known as Shanghai Jinshan Baibei Shopping Centre Co., Ltd. (上海金山百倍購物中心有限公司), as the lessor in respect of the property located at room 1-101 at B1 floor and rooms 1-102 & 1-103 at the first floor of Shanghai Jinshan Baibei Shopping Centre, No.18 West Wei Qing Lu, Shanghai, the PRC. The maximum annual amount of the transaction payable by Century Lianhua under this lease agreement are set out as follows:

Period	Maximum Amount (RMB)
From 1 January 2010 to 31 December 2010 (Note 1)	2,410,000
From 1 January 2011 to 31 December 2011	7,230,000
From 1 January 2012 to 31 December 2012	7,230,000
From 1 January 2013 to 31 December 2013	7,540,000
From 1 January 2014 to 31 December 2014	7,540,000
From 1 January 2015 to 31 December 2015	7,540,000
From 1 January 2016 to 31 December 2016	7,870,000
From 1 January 2017 to 31 December 2017	7,870,000
From 1 January 2018 to 31 December 2018	7,870,000
From 1 January 2019 to 31 December 2019	8,220,000
From 1 January 2020 to 31 December 2020	8,220,000
From 1 January 2021 to 31 December 2021	8,220,000
From 1 January 2022 to 31 December 2022	8,580,000
From 1 January 2023 to 31 December 2023	8,580,000
From 1 January 2024 to 31 December 2024	8,580,000
From 1 January 2025 to 31 December 2025 (Note 2)	3,580,000

Note 1: The maximum amount of the transaction represent the amount of the transaction for the period after the end of the rent-free period, i.e., from 28 September 2010 to 31 December 2010.

Note 2: The maximum amount of the transaction represent the amount of the transaction from 1 January 2025 to the expiration of the term, i.e., 27 April 2025.

The relevant details are set out in the announcement of the Company dated 1 July 2010. Century Lianhua is a subsidiary of the Company, and Bailian Jinshan is accounted and consolidated as a subsidiary of Bailian Group. As Bailian Group is the controlling shareholder of Shanghai Bailian (a substantial shareholder of the Company), such transactions constitute continuing connected transactions of the Company.

Given that each of the applicable percentage ratios in respect of the aggregated annual rent payable by Century Lianhua to Bailian Group and its subsidiaries under the aforementioned lease agreements is below 5%, the above lease agreements are only subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing connected transactions – lease agreements

Shanghai Century Lianhua Yuqiao Shopping Centre Ltd. ("Lianhua Yuqiao", 上海世紀聯華禦橋購物廣場有限公司) as the lessor and Bailian Holdings, being merged into Shanghai Bailian, as the lessee entered into a lease agreement in respect of the property located at the first to third floors of Century Lianhua Yuqiao Shopping Centre, No. 2420 Hu Nan Road, Pudong New District, Shanghai, the PRC. The maximum annual amount of the transactions payable by Shanghai Bailian under this lease agreement are set out as follows:

Period	Maximum Amount (RMB)
For each of the three years from 1 January 2012 to 31 December 2014	13,000,000
For each of the three years from 1 January 2015 to 31 December 2017	20,000,000
For each of the three years from 1 January 2018 to 31 December 2020	27,000,000
For each of the three years from 1 January 2021 to 31 December 2023	33,000,000
For each of the three years from 1 January 2024 to 31 December 2026	46,000,000

The relevant details are set out in the announcement of the Company dated 15 July 2011. Lianhua Yuqiao is a subsidiary of the Company, and Shanghai Bailian is a subsidiary of Bailian Group. As Bailian Group is the controlling shareholder of Shanghai Bailian (a substantial shareholder of the Company), such transactions constitute continuing connected transactions of the Company. Given that each of the applicable percentage ratios in respect of the aggregated annual rent and management fees under the aforementioned lease agreement is below 5%, the lease agreement is only subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing connected transactions – framework agreements between the Company and Bailian Group from 2013 to 2015

On 16 November 2012, the Company entered into a framework agreement with Bailian Group in respect of each of the various transactions from 2013 to 2015, including transactions of supply of goods, smart cards arrangement, supply of resources, leasing and property management respectively. Specific details are as follows:

Agreement	Transaction Particulars	Principal Terms	Annual Cap
Supply of goods framework agreement	Bailian Group and/or its subsidiaries agreed to supply various kinds of goods, including but not limited to dried meat products, electrical appliances, electrical components, sports products, kitchen products, cosmetic and sanitary products and other domestic products, for sale in the sales outlets of the Company.	The pricing for the supply of goods under the supply of goods framework agreement is 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 provided by independent third parties.	According to the supply of goods framework agreement dated 16 November 2012, the maximum aggregate annual amount of the transactions under the supply of goods framework agreement for each of the three years ending 31 December 2015 are RMB250.00 million.
	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. If there is any conflict between the terms of an individual supply of goods contract and the supply of goods framework agreement, the latter shall prevail.	Bailian Group and/or its associates shall pay sales rebates to the Company for the actual sale of the goods by Bailian Group and/or its associates to the Company under the supply of goods framework agreement. Such sales rebates to be paid by Bailian Group and/or its associates 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 associates 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.	

Agreement	Transaction Particulars	Principal Terms	Annual Cap
		Depending on the type of goods purchased and the practice of Bailian Group and/or its associates, the actual payment for the sale of the goods under the supply of goods framework agreement is to be made on a monthly or agreed period basis (which period shall be determined by the market practice of the payment period of such particular type of goods purchased and shall not be less favourable than those provided by independent third parties). Details of payment terms shall be set out in the individual supply of goods contracts to be entered into between both parties with reference to the normal commercial terms of Bailian Group and/or its associates and on terms not less favourable than those available from independent third parties. In the event that such payment is made on an agreed period basis, the actual payment day shall be at least 15 days after the date of delivery of goods.	
Smart cards arrangement agreement	Each of the Company and Bailian Group has its own smart cards system which enables its customers to make purchases by using smart cards with prepaid values. Pursuant to the smart cards arrangement agreement, the parties agreed to accept all payments of purchases from the customers by using the smart cards issued by the other party within their respective sales networks.	Each party shall charge the other party a management service fee of not more than 0.5% of such transaction amounts which are attributable to the other party. Such percentage shall be determined by arm's length commercial negotiations between the relevant parties with reference to the gross margin level of companies using smart cards system for settlement of customers' purchases, size of transaction, application conditions and business operation conditions and set out in the individual smart cards arrangement contracts.	According to the smart cards arrangement agreement dated 16 November 2012, the maximum fee payable by Bailian Group to the Company for each of the three years ending 31 December 2015 are RMB25 million, RMB30 million and RMB35 million, respectively, whereas the maximum fee payable by the Company to Bailian Group for each of the three years ending 31 December 2015 are RMB35 million, RMB40 million and RMB45 million, respectively.

Agreement	Transaction Particulars	Principal Terms	Annual Cap
	The relevant subsidiaries of the parties will enter into individual smart cards arrangement contracts setting out specific terms for the arrangement, including the technologies and system required, operation details, settlement arrangements and the fees and charges. Such terms will be consistent with the principles and the terms of the smart cards arrangement agreement. If there is any conflict between the terms of an individual smart cards arrangement contract and the smart cards arrangement agreement, the latter shall prevail.	The fee payable under the smart cards arrangement agreement is to be made by cash on a monthly basis.	
Supply of resources framework agreement	Bailian Group agreed to supply various kinds of resources, including office utilities, electrical appliances, industrial products, equipment, resources and components parts for the daily operation of the Company.	The pricing for the supply of resources under the supply of resources framework agreement is 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 resources from time to time.	According to the supply of resources framework agreement dated 16 November 2012, the maximum aggregate annual amount of the transactions under the supply of resources framework agreement for each of the three years ending 31 December 2015 are RMB28 million.
	The parties will enter into individual supply of resources contracts setting out specific terms of supply of resources 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 resources framework agreement. If there is any conflict between the terms of an individual supply of resources contract and the supply of resources framework agreement, the latter shall prevail.	Depending on the type of resources purchased and the practice of the particular subsidiary of Bailian Group, the fee payable under the supply of resources framework agreement is to be made by cash on a monthly, quarterly basis or agreed period basis and shall be consistent with the market payment terms of purchasing such particular type of resources.	

Agreement	Transaction Particulars	Principal Terms	Annual Cap
		Transactions contemplated under the supply of resources framework agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable from independent third parties.	
Leasing framework agreement	Pursuant to the leasing framework agreement, Bailian Group agreed to lease certain premises to the Company for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices, but excluding hypermarkets.	The rent for leasing certain premises under the leasing framework agreement is 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 rent of similar properties in the relevant area from time to time.	According to the leasing framework agreement dated 16 November 2012, the maximum aggregate annual amount of the transactions under the leasing framework agreement for each of the three years ending 31 December 2015 are RMB9 million.
	The parties will enter into individual leasing contracts setting out specific terms of leasing including the details of the relevant premises, the principles of rent determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the leasing framework agreement. If there is any conflict between the terms of an individual leasing contract and the leasing framework agreement, the latter shall prevail.	Depending on the use, location and the size of the annual rent of the relevant premises and the business scale of the relevant lessor, the fee payable under the leasing framework agreement is to be made by cash on a monthly, quarterly, half-yearly or annual basis.	
		Transactions contemplated under the leasing framework agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable from independent third parties.	

Agreement	Transaction Particulars	Principal Terms	Annual Cap
Property management framework agreement	Pursuant to the property management framework agreement, Bailian Group agreed to provide property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Company including offices and retail stores for the three years ending 31 December 2015.	The fee for the provision of property management services under the property management framework agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the property management fees of similar properties in the market from time to time.	According to the property management framework agreement dated 16 November 2012, the maximum aggregate annual amount of the transactions under the property management framework agreement for each of the three years ending 31 December 2015 are RMB10 million.
	The parties will enter into individual property management contracts setting out specific terms of the provision of property management services including the principles of property management fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the property management framework agreement. If there is any conflict between the terms of an individual property management contract and the property management framework agreement, the latter shall prevail.	Depending on the size and the scale of the annual property management fee of the relevant premises and the business scale of the relevant service providers, the fee payable under the property management framework agreement is to be made by cash on a monthly or quarterly basis.	
		Transactions contemplated under the property management framework agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable from independent third parties.	

The parties will enter into individual contracts in respect of the transactions of supply of goods, smart cards arrangement, supply of resources, leasing and property management. Such terms will be consistent with the principles and the terms of each of the supply of goods framework agreement, the smart cards arrangement agreement, the supply of resources framework agreement, the leasing framework agreement or the property management framework agreement.

As each of the percentage ratios in respect of the respective aggregate annual amount of the transactions of the abovementioned framework agreements from 2013 to 2015 entered between the Company and Bailian Group is more than 0.1% but less than 5%, the abovementioned framework agreements are only subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 16 November 2012 for relevant details.

Continuing connected transactions – supply of merchandise framework agreement

On 21 December 2012, the Company entered into the supply of merchandise framework agreement with Bailian Group, pursuant to which, the Company agreed to supply various kinds of merchandise, including but not limited to food products, to Bailian Group and/or its subsidiaries for their use in their business operations for a term commencing from 1 January 2013 to 31 December 2015 (both days inclusive).

The parties will enter into individual supply of merchandise contracts setting out specific terms including the specific merchandise to be supplied, the price, the payment terms and schedules and other terms of delivery of merchandise. Such terms will be consistent with the principles and the terms of the supply of merchandise framework agreement. If there is any conflict between the terms of an individual supply of merchandise contract and the supply of merchandise framework agreement, the latter shall prevail.

The pricing for the supply of merchandise under the supply of merchandise framework agreement is 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 merchandise from time to time.

Depending on the type of merchandise to be purchased and the practice of Bailian Group and/or its subsidiaries, the fee payable under the supply of merchandise framework agreement is to be made by cash on a monthly or agreed period basis and shall be consistent with the market payment terms of purchasing such particular type of merchandise.

Transactions contemplated under the supply of merchandise framework agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.

The maximum aggregate annual amount of the transactions under the supply of merchandise framework agreement for each of the three years ending 31 December 2015 is RMB250 million.

As each of the applicable percentage ratios in respect of the transactions contemplated under the supply of merchandise framework agreement is more than 0.1% but less than 5%, the transactions contemplated under the supply of merchandise framework agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 21 December 2012 for relevant details.

The independent non-executive Directors have reviewed the above transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms (to the extent that there are comparable transactions) or if there are no comparable transaction to determine whether they are on normal commercial terms, on terms not less favourable to the Group than terms provided by or to (if applicable) independent third parties and conducted during the year under review; and

(3) in accordance with the respective agreements and on fair and reasonable terms and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the above transactions and given written notice to the Board to confirm that the above transactions:

(1) have been approved by the Board;

(2) have been conducted in accordance with the relevant agreements;

(3) were in accordance with the pricing policies of the Company; and

(4) did not exceed the respective cap for each transaction.

By order of the Board

Ye Yong-ming
Chairman

30 March 2016
Shanghai, the PRC

The Group fully acknowledges its obligations to its shareholders and investors. Since its listing in 2003, the Company has been in strict compliance with the relevant requirements of the applicable laws, regulations and rules of domestic or overseas securities regulatory authorities and has been committed to improving the transparency of its corporate governance and the quality of information disclosure. The Group also attaches great importance on communication with its shareholders and investors and strives to ensure the timeliness, completeness and accuracy of its information disclosure to its shareholders and investors and to the protection of the interests of investors. The Board has strictly complied with the principles of corporate governance and is dedicated to improving the management quality of the Company and the standard of corporate governance continually in order to protect and enhance value for shareholders. To this end, the Company has adopted the principles in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules since 1 January 2005 with an aim to enhance the quality of corporate governance of the Group. Such adoption was reflected in the Company's Articles of Association, internal rules and regulations and the corporate governance implementation practices.

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:

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：

> Mr. Wong Tak Hung, non-executive Director, Mr. Lee Kwok Ming, Don, independent non-executive Director and Ms Wu Jie-qing, non-executive director at the time, were unable to attend the 4th meeting of the fifth session of the Board convened on 27 March 2015 by the Company due to their other work engagements.
>
> Ms Qi Yue-hong, executive Director, Mr. Wong Tak Hung, non-executive Director, and Mr. Li Guo-ding, non-executive Director at the time was unable to attend the 5th meeting of the fifth session of the Board convened on 22 May 2015 by the Company due to their other work engagements.
>
> Mr. Zhou Zhong-qi, executive Director of the time, and Mr. Li Guo-ding, non-executive Director of the time were unable to attend the 6th meeting at the fifth session of the Board convened on 24 June 2015 by the Company due to their other work engagements.

Mr. Zhou Zhong-qi, executive Director of the time, Mr. Wong Tak Hung, non-executive Director, Mr. Li Guo-ding, non-executive Director of the time, Mr. Zhang Hui-ming and Mr. Huo Jia-zhen, both independent non-executive Directors at the time, were unable to attend the 7th meeting of the fifth session of the Board convened on 28 August 2015 by the Company due to their other work engagements.

Mr. Hua Guo-ping and Mr. Zhou Zhong-qi, executive Director at the time, Mr. Wong Tak Hung, non-executive Director, Mr. Li Guo-ding and Ms Wu Jie-qing, non-executive Director at the time were unable to attend 8th meeting of the fifth session of the Board convened on 17 November 2015 by the Company due to their other work engagements.

Mr. Qian Jian-qiang, non-executive Director and Mr. Wong Tak Hung, non-executive Director at the time, were unable to attend 9th meeting of the fifth session of the Board convened on 17 November 2015 by the Company due to their other work engagements.

Mr. Zhang Xuan-song, non-executive Director and Mr. Wong Tak Hung, non-executive Director at the time, were unable to attend 10th meeting of the fifth session of the Board convened on 28 December 2015 by the Company due to their other work engagements.

Mr. Zhang Xuan-song, non-executive Director and Mr. Wong Tak Hung, non-executive Director at the time, were unable to attend the extraordinary general meeting of the Company convened on 28 December 2015 due to their other work engagements.

After receiving the relevant materials for the Board meetings, the above mentioned Directors have authorized other Directors of the Company to attend the meetings and vote on their behalf. The matters considered at the Board meetings were ordinary matters and all resolutions were passed smoothly. The Company had sent the related minutes of the relevant meeting subsequently to all members of the Board to enable the Directors who were unable to attend the meeting to understand the resolutions passed at the meeting.

Moreover, the Company has provided the relevant materials and all necessary information relating to the extraordinary general meeting (the "EGM") to all members of the Board before the EGM. All ordinary resolutions and special resolutions considered at the EGM were passed smoothly. The Company had sent the related minutes of the EGM to all members of the Board after the EGM so that 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 at the time, and Mr. Li Guo-ding, non-executive Director at the time, were unable to attend the 2014 annual general meeting of the Company convened on 24 June 2015 due to their other work engagements. 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 and special 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.

Board

During the period under review, from 1 January 2015 to 17 November 2015, the Board consists of 12 Directors, five of whom are executive Directors including the chairman of the Board and three of whom are non-executive Directors and four of whom are independent non-executive Directors. The number of independent non-executive Directors accounts for at least one third of the number of Directors of the Company at least one of whom has the appropriate professional qualifications or expertise in accounting or related financial management. From 17 November 2015 to 31 December 2015, the Board consists of 11 Directors, one of whom is executive Directors and six of whom are non-executive Directors including the chairman of the Board and four of whom are independent non-executive Directors. The number of independent non-executive Directors accounts for at least one third of the number of Directors of the Company at least one of whom has the appropriate professional qualifications or expertise in accounting or related financial management. Profiles and particulars of the chairman of the Company and other Directors are set out under the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

As approved at the annual general meeting on 27 June 2014, the fifth session of the Board was established and the term of office of each Director (including non-executive Directors) is three years, which will expire on the date of conclusion of 2016 annual general meeting of the Company. Corresponding to the term of office, all executive Directors have entered into service contracts, which are valid for a term ending on the date of conclusion of the annual general meeting of the Company for the year 2016, and such term is renewable subject to the applicable laws. The names of Directors referred herein are members of the fifth session of the Board as at the date of this report.

The principal responsibilities of the Board include:

– to formulate overall strategies, monitor operating and financial performance and determine proper policies to manage risks exposures arising in the course of achieving the Group's strategic goals;

– to be responsible for the internal control system of the company and overseeing and reviewing its efficiency;

– to be ultimately responsible for the preparation of accounts of the Company and to assess the Company's performance, financial position and prospects in a balanced, clear and comprehensible manner during the preparation of the quarterly, interim and annual reports of the Company, other price-sensitive announcements issued and the financial information disclosed under the Listing Rules, reports submitted to the regulatory authorities and information disclosed under legal requirements;

– the executive Directors/officers in charge of various aspects of the operations of the Company are responsible for the day-to-day management of business of the Company. The Board is responsible for the policies, financial and shareholders' affairs affecting the overall strategy of the Company, including financial statements, dividends policies, material changes in accounting policies, annual operating budget, material contracts, financing arrangements, major investments and risk management policies;

– the management has received clear directions and instructions in respect of their authorities, particularly in relation to the matters such as the circumstances under which they should report to the Board and seeking the Board's approval prior to making any decision or entering into any undertaking on behalf of the Company; and

– to review its responsibilities functions and authorities delegated to the executive Directors/officers on a regular basis and to ensure such arrangements are appropriate.

Board Meetings and General Meetings

The Company held seven Board meetings, 2014 annual general meeting and one extraordinary general meeting during the year. Attendance record of the Directors is as follows:

	Meetings Attended/Held		
Directors	Board Meetings	2014 Annual General Meeting	Extraordinary General Meeting
Executive Directors			
Mr. Chen Jian-jun (Note 1)	5/5	1/1	0/0
Mr. Hua Guo-ping (Note 2)	4/5	1/1	0/0
Ms. Qi Yue-hong (vice chairman)	6/7	1/1	1/1
Mr. Zhou Zhong-qi (Note 3)	2/5	0/1	0/0
Mr. Shi Hao-gang (Note 4)	5/5	1/1	0/0
Non-executive Directors			
Mr. Ye Yong-ming (chairman, Note 5)	2/2	0/0	1/1
Mr. Zhang Xuan-song (Note 6)	1/2	0/0	0/1
Mr. Qian Jian-qiang (Note 7)	1/2	0/0	1/1
Ms Zheng Xiao-yun (Note 8)	1/2	0/0	1/1
Mr. Zhang Jing-yi (Note 9)	2/2	0/0	1/1
Mr. Li Guo-ding (Note 10)	1/5	0/1	0/0
Ms Wu Jie-qing (Note 11)	2/5	1/1	0/0
Mr. Wong Tak Hung	1/5	1/1	0/1
Independent Non-executive Directors			
Mr. Xia Da-wei	7/7	1/1	1/1
Mr. Lee Kwok Ming, Don	6/7	1/1	1/1
Mr. Gu Guo-jian (Note 12)	2/2	0/0	1/1
Mr. Wang Jin (Note 13)	2/2	0/0	1/1
Mr. Zhang Hui-ming (Note 14)	4/5	1/1	0/0
Mr. Huo Jia-zhen (Note 15)	4/5	1/1	0/0

Notes:

1. Mr. Chen Jian-jun resigned from the office of chairman and executive director on 17 November 2015.

2. Mr. Hua Guo-ping resigned from the office of executive director on 17 November 2015.

3. Mr. Zhou Zhong-qi resigned from the office of executive director on 17 November 2015.

4. Mr. Shi Hao-gang resigned from the office of executive director on 17 November 2015.

5. Mr. Ye Yong-ming was appointed as non-executive director and chairman on 17 November 2015.

6. Mr. Zhang Xuan-song was appointed as non-executive director on 17 November 2015.

7. Mr. Qian Jian-qiang was appointed as non-executive director on 17 November 2015.

8. Ms Zheng Xiao-yun was appointed as non-executive director on 17 November 2015.

9. Mr. Zhang Jing-yi was appointed as non-executive director on 17 November 2015.

10. Mr. Li Guo-ding resigned from the office of non-executive director on 17 November 2015.

11. Ms Wu Jie-qing resigned from the office of non-executive director on 17 November 2015.

12. Mr. Gu Guo-jian was appointed as independent non-executive director on 17 November 2015.

13. Mr. Wang Jin was appointed as independent non-executive director on 17 November 2015.

14. Mr. Zhang Hui-ming resigned from the office of independent non-executive director on 17 November 2015.

15. Mr. Huo Jia-zhen resigned from the office of independent non-executive director on 17 November 2015.

16. The attendance of the Directors by proxies (other Directors) has not been counted.

In addition to the above-mentioned regular Board meetings during the year, the Board would also hold meetings whenever Board's decision on any specific matter was required. All Directors will receive the notice of meeting, detailed agenda of the meeting and the relevant information at least 14 days prior to the meeting.

The members of the Board fully acknowledge their own duties and obligations in treating all shareholders on an equal basis and protecting the interests of all investors. The Company ensures that documents and information relating to the businesses of the Group are provided to Board members on a timely basis. The independent non-executive Directors perform their duties in compliance with relevant laws and regulations and safeguard the interests of the Company and its shareholders as a whole. The Company has received confirmation letters from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules.

To the best knowledge of the Board, no relationship (including financial, business, family or other material, relevant relationship(s)) exist between members of the Board.

Trainings of Directors

All Directors shall participate in continuous professional development to develop and update their knowledge and skills to ensure that they are equipped with all the information and can continue to contribute to the Board when required.

During the period under review, the Company has arranged trainings on the Listing Rules for its Directors. Relevant training materials have been also sent to the Directors who were unable to attend the trainings for their reference.

Directors	Perusing the Training Materials on the Listing Rules	Participating in the Trainings on the Listing Rules Organised by the Company	Participating in the Trainings on the Listing Rules Organised by Other Organisations
Executive Directors			
Chen Jian-jun	√	–	
Hua Guo-ping	√	–	
Qi Yue-hong	√	√	
Zhou Zhong-qi	√	–	
Shi Hao-gang	√	–	
Non-executive Directors			
Ye Yong-ming	√	√	
Zhang Xuan-song	√		
Qian Jian-qiang	√		√
Zheng Xiao-yun	√	√	√
Zhang Jing-yi	√	√	
Li Guo-ding	√	√	
Wu Jie-qing	√	–	
Wong Tak Hung	√	–	
Independent Non-executive Directors			
Xia Da-wei	√	√	
Lee Kwok Ming, Don	√		√
Gu Guo-jian	√	√	
Wang Jin	√	√	
Zhang Hui Ming	√	–	
Huo Jia-zhen	√	–	

Board Diversity Policy

During the period under review, the Board adopted a board diversity policy (which was embodied in the terms of reference of the Nomination Committee) setting out the approach to achieve diversity on the Board. The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee has set measurable objectives based on four focus areas: gender, age, ethnicity and professional experience to implement the board diversity policy. The Nomination Committee will review the board diversity policy, as appropriate; and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives, to ensure its continued effectiveness from time to time.

Duties of the Board and the management of the Company

From 1 January 2015 to 17 November 2015, the position of Chairman of the Company was assumed by Mr. Chen Jian-jun. From 17 November 2015 till now, the position of Chairman is assumed by Mr. Ye Yong-ming. From 1 January 2015 to 28 August 2015, the position of Manager (equivalent to "chief executive officer" under the Listing Rules) of the Company was assumed by Mr. Hua Guo-ping. From 28 August 2015 till now, the position of Chairman is assumed by Mr. Lin Song, which complies with the requirement of Provision A.2.1 of the Code requiring that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman leads the Board and is responsible for approving and supervising the policies and strategies of the Group, approving annual budget and business plan, assessing the performance of the Company and supervising the work of the management of the Company. The Manager is responsible for the day-to-day operations of the Group and leads the management of the Company to exercise the powers conferred by the Articles of Association and delegated by the Board.

The Manager of the Company reports to the Board and performs the following duties:

(1) takes charge of the production, operation and management affairs and implementation of the resolutions of the Board;

(2) implement the annual business plans and investment plans of the Company;

(3) formulates the internal organizational structure plan of the Company;

(4) formulates the basic management system of the Company;

(5) formulates the basic rules of the Company;

(6) makes recommendations in respect of the appointment or removal of deputy manager and financial officer;

(7) appoints or removes management personnel except those required to be appointed or removed by the Board;

(8) personally (or appoints a deputy manager to) convenes and chairs the management meetings to be attended by the manager, deputy manager and other members of senior management;

(9) determines matters of the Company relating to the reward or punishment, promotion or demotion, pay-rise or pay-cut, recruitment, employment, removal and dismissal of staff; and

(10) exercises other powers conferred by the Articles of Association or delegated by the Board.

Board Committees

The Board established the first session of Board Committees in 2003, including (1) the Remuneration and Appraisal Committee which establishes and determines the Company's reward and appraisal system; (2) the Strategic Committee which conducts consultation, survey, research and assessment on the Company's future investment strategies, and to enhances the Company's core competitiveness; (3) the Nomination Committee which optimizes the composition of the Board and the management of the Company; and (4) the Audit Committee which reviews the financial reporting procedures, internal control system and the completeness of financial reports of the Company.

As approved by ordinary resolutions at the annual general meeting on 27 June 2014, the fifth session of the Board was established. On the same day, the Board established the fifth session of the Board Committees in accordance with the requirements of the Code. During the period under review, members of the fifth session of the Board Committees are as follows:

Board Committees	Period	Members			
The fifth session of the Audit Committee	From 1 January 2015 to 17 November 2015	Mr. Lee Kwok Ming, Don (Chairman)	Mr. Xia Dawei	Mr. Zhang Hui-ming	Mr. Huo Jia-zhen
	From 17 November 2015 to 31 December 2015	Mr. Lee Kwok Ming, Don (Chairman)	Mr. Xia Dawei	Mr. Gu Guo-jian	Mr. Wang Jin
The fifth session of the Remuneration and Appraisal Committee	From 1 January 2015 to 17 November 2015	Mr. Xia Dawei (Chairman)	Mr. Zhang Hui-ming	Mr. Huo Jia-zhen	Mr. Hua Guo-ping
	From 17 November 2015 to 31 December 2015	Mr. Xia Dawei (Chairman)	Mr. Gu Guo-jian	Mr. Wang Jin	Ms Qi Yue-hong (Note)
The fifth session of the Strategic Committee	From 1 January 2015 to 17 November 2015	Mr. Chen Jian-jun (Chairman)	Mr. Li Guo-ding	Mr. Hua Guo-ping	Mr. Zhang Hui-ming
	From 17 November 2015 to 31 December 2015	Mr. Ye Yong-ming (chairman)	Mr. Zhang Xuan-song	Ms Qi Yue-hong	Mr. Gu Guo-jian
The fifth session of the Nomination Committee	From 1 January 2015 to 17 November 2015	Mr. Zhang Hui-ming (chairman)	Mr. Xia Dawei	Mr. Huo Jia-zhen	Ms Qi Yue-hong
	From 17 November 2015 to 31 December 2015	Mr. Gu Guo-jian (chairman)	Mr. Xia Dawei	Mr. Wang Jin	Ms Qi Yue-hong

Note: Ms Qi Yue-hong has been appointed as member of the fifth session of the Remuneration and Appraisal Committee since 28 December 2015.

As several directors resigned as Director of the Company on 17 November 2015 due to work adjustment or age reason, the Board added corresponding Directors and members of board committees on 17 November 2015 with their term to the time when the EGM on 28 December 2015 made the new appointment. Those Directors are re-elected at the EGM with their term lasting to the date of the conclusion of the 2016 annual general meeting.

The Board has authorised the committees to formulate their respective terms of reference.

To further enhance the independence of the Board Committees, written terms of reference of each of the committees had been formulated under the authorization of the Board.

Audit Committee

The Board passed a resolution on 27 June 2014 to establish the fifth session of the Audit Committee. The Audit Committee currently comprises four members, including four independent non-executive Directors (including the Chairman). The Board confirms that each member of the Audit Committee has extensive business experience and the Audit Committee has a desirable mix of operational, accounting and financial expertise. The primary duties, roles and functions of the Audit Committee of the Company are:

(a) be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and ratifying the remuneration and terms of engagement of the external auditor, as well as settling any questions raised by the resignation or dismissal of such auditor;

(b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The committee should discuss with the auditor the scope of the audit including the engagement letter. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. The external audit fees are to be negotiated by management, and presented to the committee for review and approval annually;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm, or any entity as to a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review financial statements and significant financial reporting judgements contained above mentioned reports. In reviewing the reports before submission to the Board, the committee should focus particularly on: (1) any changes in accounting policies and practices; (2) major judgmental areas; (3) significant adjustments resulting from the audit; (4) the on-going concern assumptions and any qualifications; (5) compliance with accounting and auditing standards; and (6) compliance with the Listing Rules and legal requirements;

(e) with regard to (d) above: (1) members of the committee should liaise with the Board and senior management, and the committee must meet, at least twice a year, with the external auditor; and (2) the committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) review with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;

(g) discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(h) review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations and to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(i) review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the group;

(j) review the Group's financial and accounting policies and practices and be familiar with the financial reporting principles and practices applied by the Group in preparing its financial statements;

(k) discuss with external auditors any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;

(l) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;

(m) report to the Board on any matters in relation to the code provision relating to the audit committee set out in the Corporate Governance Code of the Listing Rules;

(n) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(o) act as the key representative body for overseeing the Company's relations with the external auditor;

(p) review the draft representation letter prior to submission to the Board for approval;

(q) evaluate the cooperation received by the external auditors from the management, including the external auditors' access to all requested records, data and information; obtain the comments from management regarding the responsiveness of the external auditor to the Group's needs; inquire into whether there have been any disagreements between external auditors and management which, if not satisfactorily resolved, would result in the issuance of a qualified report with reservation on the group's financial statements;

(r) seek from external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

(s) the engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, prior approval from the committee is required;

(t) apprise the Board of significant progresses in the course of performing the above duties;

(u) recommend to the Board any appropriate extensions to, or changes in, the duties of the committee;

(v) reach agreement with the Board the Company's policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The committee will consider whether such hiring will bring any impairment to the auditor's judgment or independence in respect of an audit;

(w) make available the terms of reference of the committee, explaining its role and the authority delegated to it by the Board by including them on the website of the Stock Exchange and the Company; and

(x) consider other topics, as requested and delegated by the Board.

During the year ended 31 December 2015, the Audit Committee held two meetings and performed major work including review of annual and interim financial reports, internal control, continuing connected transactions and maintaining proper relationship between the Group and external and internal auditors etc.

The Audit Committee of the Company held a meeting on 13 March 2015 to review and discuss matters such as the internal control of the Group, annual financial reports, remuneration and reappointment of domestic and international auditors and continuing connected transactions for 2015, including the review of the Company's annual financial report prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS"). The Audit Committee was of the view that the annual financial report of the Group for the year 2015 had complied with the accounting standards and requirements of the Stock Exchange and the relevant laws and had made adequate disclosures. The Audit Committee also conducted a review on the internal control system of the Company and its subsidiaries and was of the view that the Group had an effective internal control system. The Audit Committee was of the view that domestic and international auditor of the Company had carried out their work with professionalism and independence, and agreed to make recommendations to the Board in respect of their remuneration for 2015 and suggested to re-appoint the domestic and international auditors for 2016. The Audit Committee confirmed that the continuing connected transactions of the Company in 2015 did not exceed their respective caps.

The Group's chief financial officer, auditors and internal auditors also attended the meeting to address queries raised by the Audit Committee.

The Audit Committee of the Company held a meeting on 13 August 2015 to review and discuss with the management the matters such as internal controls and interim financial report, including review of the Company's condensed interim report prepared in accordance with the HKFRSs. The Audit Committee was of the view that the Group's interim financial report for the six months ended 30 June 2015 had complied with the applicable accounting standards, requirements of the Stock Exchange and legal requirements, and had made adequate disclosures. In relation to its review of the Group internal control, the Audit Committee concluded that the Group's internal control system was effective.

The Group's chief financial officer, auditors and internal auditors also attended the meeting to address queries raised by the Audit Committee.

Set out below is the attendance record of the meetings of the Audit Committee in 2015:

Name	13 March 2015	13 August 2015
Independent Non-executive Directors		
Mr. Lee Kwok Ming, Don (Chairman)	Present	Present
Mr. Zhang Hui-ming (Note)	Present	Present
Mr. Xia Da-wei	Present	Present
Mr. Huo Jia-zhen (Note)	Present	Present
Mr. Gu Guo-jian (Note)	–	–
Mr. Wang Jin (Note)	–	–

Note: Mr. Zhang Hui-ming and Mr. Huo Jia-zhen resigned from the office of a member of the Audit Committee on 17 November 2015 due to work adjustment and Mr. Gu Guo-jian and Mr. Wang Jin were appointed as members of the Audit Committee on 17 November 2015.

Remuneration and Appraisal Committee

On 27 June 2014, the Board passed a resolution to establish the fifth session of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee currently comprises four members, including three independent non-executive Directors (including the Chairman) and one executive Director. The primary duties, roles and functions of the Remuneration and Appraisal Committee are:

(a) formulate and determine the remuneration plans or schemes of individual executive Directors and senior management based on their job scope, responsibilities, significance and remuneration levels of similar position in other similar companies;

(b) remuneration plans or schemes include but not limited to performance appraisal criteria, procedures, assessment system, and plan and system for awards and punishments;

(c) review the fulfilment of duties of Directors (non-independent Directors) and senior management and appraise their annual performance;

(d) monitor the implementation of remuneration system of the Company;

(e) make recommendations to the Board on the Company's policy and structure for all Directors' and senior managements' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(f) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(g) determine with the delegated responsibility the remuneration packages of individual executive Directors and senior management; this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(h) make recommendations to the Board on the remuneration packages of non-executive Directors;

(i) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(j) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;

(k) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(l) ensure that no Director or any of his associates is involved in deciding his own remuneration;

(m) have access to independent professional advice if necessary; and

(n) consider other responsibilities authorized by the Board.

During the year ended 31 December 2015, the Remuneration and Appraisal Committee held one meetings and performed major work including assessing the performance of executive Directors and senior management of the Company and reviewing and making recommendations to the Board on their remuneration packages etc.

The Remuneration and Appraisal Committee held a meeting on 13 March 2015. Having taken into account the factors including, but not limited to, the remuneration paid by comparable companies, amount of time required to be spent by the Director and the Director's duties, remuneration packages of other positions within the Group and performance-based remuneration, the Committee made recommendations to the Board on the remuneration packages of all executive Directors and approved the remuneration to six executive Directors, one Supervisor, the senior management formed by deputy general managers and assistants to general manager for 2015.

Set out below is the attendance record of the meetings of the Remuneration and Appraisal Committee in 2015:

Name	13 March 2015
Independent Non-executive Directors	
Mr. Xia Da-wei (Chairman)	Present
Mr. Zhang Hui-ming (Note)	Present
Mr. Huo Jia-zhen (Note)	Present
Mr. Gu Guo-jian (Note)	–
Mr. Wang Jin (Note)	–
Executive Director	
Mr. Hua Guo-ping (Note)	Present
Ms Qi Yue-hong (Note)	–

Note: Mr. Zhang Hui-ming, Mr. Huo Jia-zhen and Mr. Hua Guo-ping resigned from the office of a member of the Remuneration and Appraisal Committee on 17 November 2015 due to work adjustment. Mr. Gu Guo-jian and Mr. Wang Jin were appointed as the members of the Remuneration and Appraisal Committee on 17 November 2015, and Ms Qi Yue-hong was appointed as a member of the Nomination Committee on 28 December 2015.

Nomination Committee

On 27 June 2014, the Board passed a resolution to establish the fifth session of the Nomination Committee. The Nomination Committee currently comprises four members, including three independent non-executive Directors (including the Chairman) and one executive Director. The primary duties, roles and functions of the Nomination Committee are:

(a) review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) consider the skills mix needed in respect of the appointed directors with due regard for the benefits of diversity on the Board, and make recommendations to the Board;

(c) study the criteria and procedures in selecting directors and managers and make appropriate suggestions to the Board;

(d) broadly search for and identify qualified candidates for directors and managers;

(e) review, comment and make recommendation to the Board on the candidates for directors and managers;

(f) review and comment on the candidates for other senior management, whose employment are subject to the approval of the Board;

(g) review regularly the time to be committed by each director in order to perform their duties;

(h) assess the independence of independent non-executive directors;

(i) review the board diversity policy, as appropriate; and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives;

(j) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and

(k) deal with other responsibilities authorized by the Board.

During the year ended 31 December 2015, the Nomination Committee held seven meetings and performed major work including reviewing, commenting and making recommendation to the Board on the candidates for Directors, members of the Board Committees and other senior management, and reviewing regularly the time to time to be committed by each Director in order to perform their duties, and the structure, size and composition of the Board of the Company etc.

The Nomination Committee of the Company held a meeting on 26 February 2015. In the demand of business development and as recommended by the general manager of the Company, the Nomination Committee of the Company agreed to nominate Mr. Jiang Xiao-fei to the Board as a candidate of deputy general manager.

The Nomination Committee of the Company held a meeting on 13 March 2015 to review the time committed by each Director in order to perform their duties, and the structure, size and composition of the Board of the Company in 2014. The Nomination Committee of the Company agreed that the current Board in accordance with the company strategy of the Company, there is no need to change the members of the Board and all the members of the Board had spent plenty of time to perform their duties in 2014.

The Nomination Committee of the Company held a meeting on 24 June 2015. As Mr. Zhou Zhong-qi resigned as chief financial officer of the Company due to work adjustment, the Nomination Committee of the Company agreed to nominate Ms Hu Li-ping to the Board as a candidate of chief financial officer.

The Nomination Committee of the Company held a meeting on 26 June 2015. As Mr. Hua Guo-ping resigned as general manager of the Company due to work adjustment, the Nomination Committee of the Company agreed to nominate Mr. Lin Song to the Board as a candidate of general manager.

The Nomination Committee of the Company held a meeting on 17 November 2015. As Mr. Chen Jian-jun resigned as chairman and executive Director of the fifth session of the Board and member (chairman) of the fifth session of the Strategic Committee due to work adjustment, and upon the recommendation from Bailian Group, the shareholder of the Company, the Nomination Committee of the Company agreed to recommend Mr. Ye Yong-ming as candidate for non-executive Director of the fifth session of the Board, with his term lasting until the date of the conclusion of the next general meeting when new Director appointments are made. As Mr. Hua Guo-ping resigned as executive Director of the fifth session of the Board, member of the fifth session of the Remuneration and Appraisal Committee and Strategic Committee respectively and authorised representative due to work adjustment, and upon the recommendation from Shanghai Bailian, the shareholder of the Company, the Nomination Committee of the Company agreed to recommend Ms. Zheng Xiao-yun as candidate for non-executive Director of the fifth session of the Board, with her term lasting until the date of the conclusion of the next general meeting when new Director appointments are made. As Mr. Zhou Zhong-qi resigned as executive Director of the fifth session of the Board due to work adjustment, and upon the recommendation from Shanghai Bailian, the shareholder of the Company, the Nomination Committee of the Company agreed to recommend Mr. Qian Jian-qiang as candidate for non-executive Director of the fifth session of the Board, with his term lasting until the date of the conclusion of the next general meeting when new Director appointments are made. As Mr. Li Guo-ding resigned as non-executive Director of the fifth session of the Board and member of the fifth session of the Strategic Committee due to advanced age, and upon the recommendation from Shanghai Bailian, the shareholder of the Company, the Nomination Committee of the Company agreed to recommend Mr. Zhang Xuan-song as candidate for non-executive Director of the fifth session of the Board, with his term lasting until the date of the conclusion of the next general meeting when new director appointments are made. As Ms. Wu Jie-qing resigned as non-executive Director of the fifth session of the Board due to work adjustment, and upon the recommendation of Shanghai Bailian, the shareholder of the Company, the Nomination Committee of the Company agreed to recommend Mr. Zhang Jing-yi as candidate for non-executive Director of the fifth session of the Board, with his term lasting until the date of the conclusion of the next general meeting when new Director appointments are made. As Mr. Zhang Hui-ming resigned as independent non-executive Director of the fifth session of the Board and member of the fifth session of the Audit Committee, Remuneration and Appraisal Committee, Strategic Committee and Nomination Committee respectively due to work adjustment, and upon the recommendation from the Company, the Nomination Committee of the Company agreed to recommend Mr. Gu Guo-jian as candidate for independent non-executive Director of the fifth session of the Board and member of the fifth session of the Audit Committee, Remuneration and Appraisal Committee, Strategic Committee and Nomination Committee respectively, with his term lasting until the date of the conclusion of the next general meeting when new Director appointments are made. As Mr. Huo Jia-zhen resigned as independent non-executive Director of the fifth session of the Board and member of the fifth session of the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee respectively due to work adjustment, and upon the recommendation from the Company, the Nomination Committee of the Company agreed to recommend Mr. Wang Jin as candidate for independent non-executive Director of the fifth session of the Board and member of the fifth session of the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee respectively, with his term lasting until the date of the conclusion of the next general meeting when new Director appointments are made. As Mr. Chen Jian-jun resigned as chairman and executive Director of the fifth session of the Board and member (chairman) of the fifth session of the Strategic Committee due to work adjustment, Mr. Hua Guo-ping resigned as executive Director of the fifth session of the Board, member of the fifth session of the Remuneration and Appraisal Committee and Strategic Committee respectively and authorised representative due to work adjustment and Mr. Li Guo-ding resigned as non-executive Director of the fifth session of the Board and member of the fifth session of the Strategic Committee due to advanced age, the Nomination Committee of the Company agreed, after the first and fourth resolutions have been passed by the Board, to recommend Mr. Ye Yong-ming, Mr. Zhang Xuan-song and Ms. Qi Yue-hong as candidates for members of the fifth session of the Strategic Committee, with their terms lasting until the date of the conclusion of the next general meeting when new member appointments are made.

The Nomination Committee of the Company held a meeting on 17 November 2015, and agreed to select Mr. Gu Guo-jian as chairman of the fifth session of the Nomination Committee.

The Nomination Committee of the Company held a meeting on 28 December 2015, and, based on the new appointment at the 2015 EGM, agreed to select Mr. Gu Guo-jian as chairman of the fifth session of the Nomination Committee.

Set out below is the attendance record of the meetings of the Nomination Committee in 2015:

Name	26 Feb 2015	13 March 2015	24 June 2015	26 Aug 2015	17 Nov 2015	17 Nov 2015	28 Dec 2015
Independent Non-executive Directors							
Mr. Gu Guo-jian (chairman, Note)	–	–	–	–	–	Present	Present
Mr. Zhang Hui-ming (Note)	Present	Present	Present	Present	Present	–	–
Mr. Xia Da-wei	Present	Present	Present	Present	Present	Present	Present
Mr. Huo Jia-zhen (Note)	Present	Present	Present	Present	Present	–	–
Mr. Wang Jin (Note)	–	–	–	–	–	Present	Present
Executive Director							
Ms. Qi Yue-hong	Present	Present	Present	Present	Present	Present	Present

Notes:

Mr. Zhang Hui-ming and Mr. Huo Jia-zhen resigned from the office of a member of Nomination Committee on 17 November 2015 due to work adjustment. Mr. Gu Guo-jian and Mr. Wang Jin were appointed as member of the member of the Nomination Committee on 17 November 2015.

Corporate Governance Functions

During the period under review, the Board and Board Committees of the Company performed the corporate governance duties as below:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual applicable to the employees and Directors of the Company; and

(v) to review the Company's compliance with the Code on Corporate Governance and disclosure requirements in the Corporate Governance Report.

Directors' and auditors' responsibilities for the accounts

The Directors hereby confirm their responsibilities for the preparation of the accounts of the Company. The Directors confirm that the preparation of the financial statements of the Company for the year complied with the relevant laws and applicable accounting standards and that the Company will publish the financial statements of the Company on timely basis. The responsibilities of external auditors to the shareholders are set out on page 105.

Compliance with Model Code for Securities Transactions by Directors in Appendix 10 of the Listing Rules

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as code of conduct for securities transactions by all Directors of the Company. After making 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 year ended 31 December 2015.

Remuneration of auditors

The Audit Committee of the Company is responsible for considering the appointment of auditors and reviewing their remuneration. For the year under review, RMB 6,843 thousand was payable by the Company to the external auditors (including the PRC and international auditors) as service charge for their audit and due diligence consultancy services. For the year under review, the external international auditors had not provided any non-auditing service to the Company.

Company Secretary

Ms. Hu Li-ping and Mr. Mok Chung Kwan, Stephen (a partner of Eversheds) were appointed as the joint company secretary of the Company with effect from 16 October 2014. Ms. Hu Li-ping, joint company secretary and secretary to the Board of the Company, is the main internal liaison between Mr. Mok Chung Kwan, Stephen and the Company.

In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2015, Ms. Hu Li-ping received not less than 15 hours of the relevant professional training.

Internal control

The Board is solely responsible for ensuring that the internal control system of the Group is stable and efficient. The Group's internal control system comprises defined management structure and related authorities, so as to facilitate the Group to achieve its business objectives, to safeguard its assets against any unauthorised usage or handling, to ensure proper keeping of accounting records and to provide reliable financial information for internal use or external distribution, as well as to ensure compliance with relevant laws and regulations. The purpose of the afore-mentioned internal control system is to provide reasonable, but not absolute, assurance that there are no material misrepresentations or omissions, and to manage, but not to eliminate at all, malfunctions of the operating system and risks that the Group may not achieve its goals.

The Board, through the Company's Audit Committee, reviews the internal control systems of the Company and its subsidiaries on an semi-annual basis to ensure its effectiveness. Discussions cover all material control aspects, including financial control, operating control, compliance control and risk management. The Board has conducted a review of the effectiveness of the internal control system of the Group for 2015 and confirms that the internal control system of the Group is effective.

Organizational structure

The Group has established an organizational structure, which sets out the relevant operating policies and procedures, duties and authorities.

Authorities and controls

Executive Directors and senior management have been authorized to deal with relevant matters in respect of corporate strategies, policies and contractual liabilities. Budget controls and the budgets for operation of the financial reporting systems are formulated by relevant departments and are subject to review by Directors in charge before implementation. The Group has formulated relevant procedures to assess, review and approve significant capital and recurrent expenses, while operating results will be compared against the budgets and reported to executive Directors on a regular basis.

Training on internal control

Directors and senior management have participated in internal control training programmes provided by the Group, which are designed to equip them with proper and full knowledge on internal control, and provide guidance to them to apply internal control systems on a consistent basis.

Accounting system management

The Group has put in place a comprehensive accounting management system, so as to provide the management with indicators to evaluate its financial and operating performance and financial information for reporting and disclosure purposes. Any deviation from expected objectives will be analysed and explained, or the expected objectives will be amended correspondingly in line with the change in business.

The Group has set up appropriate internal control procedures to ensure comprehensive, proper and timely recording of accounting and management information, which will be reviewed and inspected on a regular basis to ensure the financial statements are prepared in accordance with generally accepted accounting principles, accounting policies of the Group and applicable laws and regulations.

Internal audit

In order to assess the efficiency of the internal control system in a more effective manner, the internal audit department of the Company inspected, supervised and evaluated the disclosure of financial information, operations and internal controls of the Group and its associated companies on a regular basis and whenever required based on the potential risks and significance of the internal control systems of various businesses and procedures of the Group, with the aims to ensure the transparency of the Company in respect of information disclosure, operating efficiency and the effectiveness of its corporate control mechanisms, as well as to provide an objective opinion and advice in the form of an audit report. Internal audit staff shall be entitled to full access of all information of the Group and to make enquiries with relevant staff. The manager of the audit department shall directly report to the chairman of the Board on the results and advice of such work.

The Company has put in place the systems and procedures to identify, measure, manage and control risks, including legal, credit, market, centralisation, operation, environment, behavior and other risks which may affect the development of the Company.

Continuing operation

During the year, there are no material events or conditions that may affect the operation of the Group as an on-going concern.

Investor relations

The Company reports to the shareholders on the corporate information of the Group on a timely and accurate basis. Printed copies of the 2014 annual report and 2015 interim report have been sent to all shareholders.

The Company places great emphasis on communication with shareholders and investors of the Company and the improvement of the Company's transparency. As such, a dedicated department has been set up and designated officers are assigned to handle relations with investors and analysts. During the period under review, the Company received 24 batches of fund managers and analysts and patiently answered their relevant inquiries. Site visits to stores were arranged for them so as to enhance their understanding of the Company's operation and also its latest business developments. The Company made disclosures in a careful, true, accurate, complete and timely manner in strict accordance with applicable laws and regulations, the Articles of Association and the Listing Rules; at the same time, the Company places great emphasis on collecting and analysing various comments and recommendations from analysts and investors on the Company's operation, which will be compiled into reports regularly and adopted selectively in its operation. The Company has set up a website, allowing investors to access updates on the Company's particulars, statutory announcements, management and recent operating affairs. All published annual reports, interim reports, circulars and announcements since its listing are included in the "Investors Relations" section of the website. The Company persistently adheres to its information disclosure principle of honesty and integrity and actively initiates communications with various parties. In particular, it held seminars, press conferences and one-on-one investor meetings following the announcement of interim and annual results and decisions on major investments. The Company also participates in a series of investor activities and conducts one-on-one communication with investors on a regular basis.

Shareholders' rights

Convening extraordinary shareholders' general meetings by shareholders

According to the provisions of the Article 81 of the Articles of Association of the Company:

Shareholders demanding the convening of an extraordinary general meeting or a class meeting shall proceed in accordance with the following procedures:

(I) Two or more shareholders holding more than ten per cent (including ten per cent) of the voting rights at the proposed meeting may submit one or more written request(s) of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the business to be transacted at the meeting. The Board shall, upon receiving the aforesaid written request(s), convene an extraordinary shareholders' general meeting or class meeting as soon as possible. The shareholding mentioned in the above shall be calculated as at the date on which the written request is made.

(II) If the Board fails to issue a notice of the convention of any meeting herein above-mentioned within thirty days after having received the written request, the requesting shareholders may themselves convene such meetings within four months after the Board received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' meetings are to be convened by the Board.

Where shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent Directors.

Raising proposals at shareholders' general meetings

According to the provisions of the Article 63 of the Articles of Association of the Company:

When the Company is to convene an annual general meeting of shareholders, shareholders holding more than five per cent (including five per cent) of the Company's total voting shares shall be entitled to move new motions in writing to the Company. The Company shall include into the agenda of the meeting the matters in the motions that fall within the scope of duties of the shareholders' general meeting, provided that such motions shall be served on the Company within forty days after the date of notice of the meeting hereinabove mentioned.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries (by post, fax or email) to the following addresses, fax numbers or email addresses of the Company:

13th Floor, No. 1258, Zhen Guang Road, Shanghai,
the PRC
Fax: 86 (21) 5279 7976
Email: zhuchaoli@chinalh.com

Amendments in the Articles of Association

As set out in the circulars of the Company dated 8 October 2015 and 8 December 2015, the Company proposed to make the following amendments to the Articles of Association.

Amendments in Article 21 of the Articles of Association (approved at 2015 extraordinary general meeting held on 28 December 2014)

The former Article 21 of the Articles of Association is as follows:

The Company shall issue a total number of 1,119,600,000 ordinary shares, which consist of:

(1) 715,397,400 domestic shares (380,952,000 shares to be held by Shanghai Bailian Group Co., Ltd; 237,029,400 by Shanghai Baiqing Investment Co., Ltd.; and 97,416,000 by Bailian Group Co., Ltd.), and 31,602,600 non-listed foreign shares (31,602,600 shares to be held by Wong Sun Hing);

(2) total number of 372,600,000 overseas-listed foreign shares."

The former Article 21 of the Articles of Association is as follows:

"The Company shall issue a total number of 1,119,600,000 ordinary shares, which consist of:

(1) 715,397,400 domestic shares (254,160,000 shares to be held by Bailian Group Co. Ltd.; 224,208,000 by Shanghai Bailian Group Co., Limited; and 237,029,400 by Yonghui Superstores Co., Ltd.), and 31,602,600 non-listed foreign shares (31,602,600 by Wong Sun Hing);

(2) total number of 372,600,000 overseas-listed foreign shares."

Amendments in Article 95 of the Articles of Association (approved at 2015 extraordinary general meeting held on 28 December 2015)

The former Article 95 of the Articles of Association is as follows:

"The Company shall have a Board of Directors, consisting of 12 members, of which there shall be at least 3 independent non-executive directors and the remaining members may be executive or non-executive directors. The Board shall have a chairman and a vice chairman."

The amended Article 95 of the Articles of Association is as follows:

"The Company shall have a Board of Directors, consisting of 11 members, of which there shall be at least 3 independent non-executive directors, representing at least one-third of the Board of Directors, and the remaining members may be executive or non-executive directors. The Board shall have a chairman and a vice chairman."

Report of the Supervisory Committee

Dear shareholders,

During the period under review, all members of the Supervisory Committee had complied with the applicable requirements of the Company Law of the People's Republic of China and Articles of Association of the Company, adhered to the principle of integrity and performed their supervisory duties in good faith to protect the interests of the shareholders and the Group.

During the period under review, as a company listed on the Stock Exchange, the Company encountered higher requirement standards on governance imposed continuously by the Listing Rules, the Corporate Governance Code and the internal control policy. As such, the Supervisory Committee focused its efforts on the following three aspects: (1) to further improve the corporate governance structure; (2) to urge the Company and its Board to provide an open, fair, impartial and transparent environment for its investors in strict compliance with the Listing Rules; and (3) to monitor the major operating activities of the Group and remind the Board and the Group to avoid significant operational risks.

During the period under review, the Supervisory Committee held four meetings. On 27 March 2015, the Supervisory Committee of the Company held a meeting, at which the Supervisory Committee objectively evaluated the Group's business operation for the year 2014, and was fully satisfied with the work done by the Group in 2014, including the Group's development plan, network expansion, improvement of the internal control systems and conduct of connected transactions. The Supervisory Committee also received reports on the financial position of the Group for 2014 and discussed and adopted the report of the Supervisory Committee for 2014.

On 28 August 2015, the Supervisory Committee held a meeting regarding the operating conditions of the first half of the year ended 30 June 2015 and received reports from the management relating to the financial condition of the first half of 2015.

On 17 November 2015, the Supervisory Committee reviewed the transactions with Bailian Group under financial services agreement, the supply of goods framework agreement, supply of resources framework agreement, smart cards arrangement agreement, property management framework agreement, leasing framework agreement, staff training framework agreement, personnel trusteeship service framework agreement and leasing of resources agreement between the Company and Bailian Group from 2016 to 2018. The Supervisory Committee also reviewed the transactions with Yonghui Superstores under 2015 Purchase of Goods Framework Agreement between the Company and Yonghui Superstores. It confirmed the aforesaid continuing connected transactions were made in the ordinary course of the Company's business and on normal commercial terms, and the terms are fair and reasonable and in the interest of the Company's shareholders as a whole.

On 28 December 2015, the Supervisory Committee discussed and agreed to select Mr. Lv Yong as chairman of the fifth session of the Supervisory Committee of the Company as Mr. Wang Zhi-gang resigned from the office of chairman and supervisor of the Supervisory Committee of the Company. The Supervisory Committee also reviewed the transactions under 2016 Purchase of Goods Framework Agreement between the Company and Yonghui Superstores, 2016 Supply of Goods Framework Agreement between the Company and Hualian GMS and the leasing agreement of lease of houses by the Company to Bailian E-business Co., Ltd., a subsidiary of Bailian Group, and confirmed the aforesaid continuing connected transactions were made in the ordinary course of the Company's business and on normal commercial terms, and the terms are fair and reasonable and in the interest of the Company's shareholders as a whole.

Report of the Supervisory Committee

During the period under review, the Supervisory Committee reviewed the financial system, annual financial reporting and internal auditing reporting of the Group, and of the view that the information as included in the Group's financial budget, final accounts, annual report and interim report are true and reliable, and the audit opinion issued by the auditors are objective and fair.

During the period under review, the Supervisory Committee conducted supervision on the operating activities of the Group with respect to the financial control, operation control, compliance control and risk management, and considered that the Group had established an improved internal control system, and has achieved significant progress in formulating and implementing internal workflow, effectively contained various corporate operating risks. The Group has performed its duties in accordance with the laws and regulations of the State, the Articles of Association and the workflow.

The Supervisory Committee conducted supervision on the due diligence of the Directors and managers of the Company and the execution of resolutions in general meetings. The Supervisory Committee considered that the Directors and the management had duly performed their duties in accordance with the resolutions of general meetings. None of the Directors and other management of the Company have been found to be in breach of the laws and regulations and the Articles of Association or involved in acts detrimental to the interests of the Group and shareholders of the Company during the execution of their duties.

The Supervisory Committee conducted a review on the Group's operating activities such as mergers and acquisitions and disposal of assets. The Supervisory Committee considered that the consideration for the Group's merger and acquisition and assets disposal activities were fair and reasonable. It was not aware of any insiders' dealings or any event detrimental to the interests of shareholders, in particular the interests of minority shareholders.

The Supervisory Committee conducted a review on the Group's connected transactions for the period under review which were subject to conditional waivers. It confirmed that such connected transactions had complied with legal and statutory procedures and the transactions were conducted on fair commercial terms and in line with the financial policies of the Group and the transaction amounts were within their respective caps.

The Supervisory Committee considers that the fifth session of the Board of the Company has formulated and implemented the operating strategies for the development of the Group in accordance with the operation objectives as determined in the general meetings since its inauguration. Against the backdrop of keen competitive in the domestic retail market, the Board has made proper decisions according to the operating environment, sought expansion aggressively and conducted operations prudently. At the same time, the Supervisory Committee considered that each Director in the Board had performed their duties in a diligent and responsible manner. The Supervisory Committee also appreciated the Board and management for their persistent efforts in improving various internal control systems of the Group according to the requirements applicable to public companies.

As more and more retail chains are seeking to get listed in Hong Kong, international investors will maintain their interests in the potential of retail businesses in the PRC. Good corporate governance and open and fair disclosures of information will facilitate the Group in building up a good corporate image in the international capital market. As such, the Group will continue to improve its work and systems. In the coming year, the Supervisory Committee will diligently discharge its responsibilities to protect and ensure maximization of the interests of the Group and its shareholders.

Independent Auditor's Report

TO THE SHAREHOLDERS OF LIANHUA SUPERMARKET HOLDINGS CO., LTD.
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Lianhua Supermarket Holdings Co., Ltd. (the"Company") and its subsidiaries (collectively referred to as the"Group") set out on pages 106 to 174, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Turnover	5	**27,222,699**	29,152,454
Cost of sales		**(23,201,134)**	(24,911,309)
Gross profit		**4,021,565**	4,241,145
Other revenue	5	**2,089,271**	2,217,525
Other income and gains	7	**557,533**	671,086
Selling and distribution expenses		**(6,039,758)**	(6,100,913)
Administrative expenses		**(744,467)**	(761,333)
Other operating expenses		**(32,835)**	(25,551)
Share of profits of associates		**2,853**	58,113
Finance costs		**(140)**	(143)
(Loss) profit before tax	8	**(145,978)**	299,929
Income tax expenses	9	**(254,219)**	(179,040)
(Loss) profit for the year		**(400,197)**	120,889
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		**4,047**	–
Fair value gain on available-for-sale financial assets		**7,672**	–
Income tax relating to items that may be reclassified subsequently		**(1,918)**	–
Other comprehensive income for the year, net of income tax		**9,801**	–
Total comprehensive (expense) income for the year		**(390,396)**	120,889
(Loss) profit for the year attribute to:			
Owners of the Company		**(496,991)**	31,033
Non-controlling interests		**96,794**	89,856
		(400,197)	120,889
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(487,190)**	31,033
Non-controlling interests		**96,794**	89,856
		(390,396)	120,889
(Losses) earnings per share – basic and diluted	11	**RMB(0.44)**	RMB0.03

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	31/12/2015 RMB'000	31/12/2014 RMB'000
Non-current assets			
Property, plant and equipment	12	**2,691,762**	2,924,276
Construction in progress	13	**773,418**	443,667
Land use rights	14	**335,580**	341,812
Intangible assets	15	**200,294**	196,469
Interests in associates	16	**535,636**	557,084
Available-for-sale financial assets	17	**76,007**	36,570
Term deposits	19		
– restricted		**783,000**	266,000
– unrestricted		**2,010,851**	2,095,000
Prepaid rental	20	**50,152**	82,895
Deferred tax assets	21	**66,614**	215,749
Other non-current assets	22	**17,210**	18,668
		7,540,524	7,178,190
Current assets			
Inventories	23	**2,836,825**	2,676,400
Trade receivables	24	**87,085**	101,372
Deposits, prepayments and other receivables	25	**995,473**	1,076,927
Amounts due from fellow subsidiaries	26	**14,879**	12,888
Amounts due from associates	27	**173**	61
Available-for-sale financial assets	17	**7,000**	246,628
Financial assets at fair value through profit or loss	18	**538,782**	2,223
Term deposits	19		
– restricted		**606,000**	1,210,000
– unrestricted		**530,750**	778,400
Cash and cash equivalents	28	**4,447,365**	5,145,270
		10,064,332	11,250,169
Total assets		**17,604,856**	18,428,359

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	31/12/2015 RMB'000	31/12/2014 RMB'000
Capital and reserves			
Share capital	33	**1,119,600**	1,119,600
Reserves		**1,795,571**	2,282,761
Equity attributable to owners of the Company		**2,915,171**	3,402,361
Non-controlling interests	34	**283,915**	272,025
Total equity		**3,199,086**	3,674,386
Non-current liability			
Deferred tax liabilities	21	**96,971**	98,657
Current liabilities			
Trade payables	29	**3,804,069**	3,713,440
Other payables and accruals	30	**2,335,085**	2,007,891
Coupon liabilities	31	**7,996,463**	8,726,487
Deferred income		**26,400**	23,284
Amounts due to fellow subsidiaries	26	**37,259**	48,193
Amounts due to associates	27	**3,040**	5,515
Amounts due to other related parties		**5,082**	–
Bank borrowings	32	**2,000**	2,000
Tax payable		**99,401**	128,506
		14,308,799	14,655,316
Total liabilities		**14,405,770**	14,753,973
Total equity and liabilities		**17,604,856**	18,428,359
Net current liabilities		**(4,244,467)**	(3,405,147)
Total assets less current liabilities		**3,296,057**	3,773,043

The consolidated financial statements on pages 106 to 174 were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

YE YONG-MING
DIRECTOR

QI YUE-HONG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 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 (Note 34)	Total RMB'000
At 1 January 2014	1,119,600	258,353	(234,842)	492,911	1,735,306	3,371,328	277,292	3,648,620
Profit and total comprehensive income for the year	–	–	–	–	31,033	31,033	89,856	120,889
Profit appropriation	–	–	–	47,398	(47,398)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(95,123)	(95,123)
At 31 December 2014	1,119,600	258,353	(234,842)	540,309	1,718,941	3,402,361	272,025	3,674,386
(Loss) profit for the year	–	–	–	–	(496,991)	(496,991)	96,794	(400,197)
Other comprehensive income for the year	–	–	9,801	–	–	9,801	–	9,801
Total comprehensive income (expense) for the year	–	–	9,801	–	(496,991)	(487,190)	96,794	(390,396)
Profit appropriation	–	–	–	19,491	(19,491)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(84,904)	(84,904)
At 31 December 2015	1,119,600	258,353	(225,041)	559,800	1,202,459	2,915,171	283,915	3,199,086

Notes:

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

(b) Other reserve of the Group 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;

iii. acquisition of additional equity interests in subsidiaries;

iv. share of the other comprehensive income of the associates; and

v. the fair value difference of the available-for-sales investments.

(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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
(Loss) profit before taxation	**(145,978)**	299,929
Adjustments for:		
Depreciation of property, plant and equipment	**464,310**	493,204
Amortisation of land use rights	**6,232**	7,395
Amortisation of intangible assets	**10,010**	11,168
Amortisation of other non-current assets	**1,458**	1,458
Loss on disposal of property, plant and equipment and intangible assets	**684**	1,329
Impairment loss on property, plant and equipment recognised	**6,825**	10,455
Reversal of allowance for write-down of inventories	**(6,776)**	–
Interest income from available-for-sale financial assets	**(4,384)**	(20,793)
Interest income from held-to-maturity financial assets	**–**	(12,220)
Unrealised fair value gain on financial assets at fair value through profit or loss	**(465)**	(551)
Interest income from financial assets at fair value through profit or loss	**(6,094)**	(4,095)
Dividend from financial assets at fair value through profit or loss	**(25)**	–
Share of profits of associates	**(2,853)**	(58,113)
Dividend from unlisted equity investments	**(548)**	(12,377)
Income from unlisted equity investments	**–**	(18,569)
Gain on disposal of an associate	**–**	(7,403)
Allowance for doubtful debts	**270**	1,537
Interest income	**(399,012)**	(410,718)
Interest expense	**140**	143
Operating (loss) profit before movements in working capital	**(76,206)**	281,779
(Increase) decrease in inventories	**(153,649)**	728,030
Increase in trade and other receivables	**(22,309)**	(55,222)
Decrease (increase) in prepaid rental	**71,471**	(355)
Increase in amounts due from associates	**(112)**	(35)
Increase in amounts due from fellow subsidiaries	**(1,991)**	(1,771)
(Decrease) increase in amounts due to fellow subsidiaries	**(10,934)**	4,024
Increase in amounts due to other related parties	**5,082**	–
Increase in deferred income	**3,116**	7,170
Decrease in restricted term deposits	**87,000**	1,005,365
Increase (Decrease) in trade and other payables	**286,500**	(913,362)
Decrease in coupon liabilities	**(730,024)**	(1,204,144)
Decrease in amounts due to associates	**(2,475)**	(11,056)
Cash used in operations	**(544,531)**	(159,577)
Income taxes paid	**(137,793)**	(173,660)
Interest received	**466,160**	445,044
Interest paid	**(140)**	(143)
Net cash (used in) from operating activities	**(216,304)**	111,664

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Investing activities		
Purchase of property, plant and equipment and construction in progress	**(456,769)**	(504,178)
Proceeds from disposal of property, plant and equipment	**8,723**	6,405
Purchase of intangible assets	**(6,882)**	(3,851)
Purchase of available-for-sale financial assets	**(31,765)**	(32,000)
Purchase of financial assets at fair value through profit or loss	**(530,000)**	(400,000)
Dividend from unlisted equity investments	**12,313**	612
Proceeds on disposal of an associate	**–**	6,912
Dividends received from associates	**28,487**	80,855
Income received from unlisted equity investments	**25**	16,919
Proceeds on redemption of available-for-sale financial assets	**244,012**	279,267
Interest income from held-to-maturity financial assets	**–**	20,700
Interest income from of financial assets at fair value through profit or loss	**–**	4,095
Proceeds on redemption of held-to-maturity financial assets	**–**	232,500
Proceeds on disposal of financial assets at fair value through profit or loss	**–**	540,000
Withdrawal of unrestricted term deposits	**2,873,400**	2,890,400
Placement of unrestricted term deposits	**(2,541,601)**	(2,873,400)
Net cash (used in) from investing activities	**(400,057)**	265,236
Financing activities		
New bank borrowings raised	**2,000**	2,000
Repayment of bank borrowings	**(2,000)**	(2,000)
Dividends paid to non-controlling shareholders	**(81,544)**	(109,123)
Net cash used in financing activities	**(81,544)**	(109,123)
Net (decrease) increase in cash and cash equivalents	**(697,905)**	267,777
Cash and cash equivalents at 1 January	**5,145,270**	4,877,493
Cash and cash equivalents at 31 December	**4,447,365**	5,145,270
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**4,447,365**	5,145,270

1. PRINCIPAL ACTIVITIES

The Company is a public limited company incorporated in the PRC. The address of its registered office is Room 713, 7th Floor, No. 1258, Zhen Guang Road, Pu Tuo District, Shanghai, the PRC. The Company is listed on the main board of The Stock Exchange of Hong Kong Limited (the"Stock Exchange").

The directors of the Company consider that the Company's immediate holding company is Shanghai Bailian Group Co., Ltd.("Shanghai Bailian"), a company incorporated in the PRC and listed on the Shanghai Stock Exchange, and the Company's ultimate holding company is Bailian Group Co., Ltd ("Bailian Group"), a state-owned enterprise established in the PRC.

The principal activities of the Company, together with its subsidiaries (the Company and its subsidiaries are collectively referred to as the"Group" thereafter) and its associates, are operation of chain stores including supermarkets, hypermarkets and convenience stores primarily in the eastern region of the PRC.

The consolidated financial statements are presented in Renminbi (the"RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

New or revised standards and interpretations that have been issued but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after a date to be determined.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New or revised standards and interpretations that have been issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in unlisted equity securities currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New or revised standards and interpretations that have been issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the Directors anticipate that the application of other new and amendments to IFRSs in issue but not effective will have no material effect on Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure on information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosure under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented as an intangible asset.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers under the Group's customer loyalty incentive program are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, based on the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Service income is recognised when services are provided.

Income from suppliers includes promotion and store display income, delivery income and information system service income, all of which are recognised according to the contract terms and as services are provided.

Income from leasing of shop premises is recognised on a straight-line basis over the lease periods.

Royalty income from franchise stores is recognised on an accrual basis in accordance with the terms of the agreement.

Commission income from coupon redemption in other retailers is recognised according to agreement terms and as coupons are redeemed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepayments for operating leases and recorded as land use rights, which are amortised over the respective period of the lease using the straight-line method.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from"profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill below).

An intangible asset is derecognised on disposal or when no further economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period of the consolidated statement of comprehensive income when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on non-current assets other than financial assets and goodwill (see the accounting policy in respect of financial assets and goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables, financial assets at fair value through profit and loss ("FVTPL"), available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other income and gains.

Financial asset at fair value through profit or loss

The Group's FVTPL represents financial assets held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the"other income and gains" line item in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated investments on legal person shares, unlisted equity investments, unlisted managed investment funds and unlisted investments as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from fellow subsidiaries/subsidiaries/associates, term deposits, and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For loans and receivables and held-to-maturity financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimate future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to fellow subsidiaries/subsidiaries/associates/other related parties and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation

Deferred tax assets relating to certain tax losses are not recognised as management considers it is probable that future taxable profit will not be available against which the tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred assets and income tax expenses in the periods in which such estimate is changed.

Key sources of estimation uncertainty

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Estimated impairment of non-financial assets other than goodwill

The Group follows HKAS 36 to determine whether non-financial assets (other than goodwill stated in paragraph"Estimated impairment of goodwill") have suffered any impairment. The recoverable amount of an asset is determined based on the higher of the asset's fair value less costs to sell and value in use. The value in use calculations requires the use of estimates.

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly in response to both competitor's actions and market conditions. The Group will reassess the estimations by the end of the reporting period.

Estimated store closure provision

The Group follows HKAS 37 to recognise store closure provision. Provisions are recognised when the Group has a constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Store closure provision comprises mainly lease termination penalties and employee compensations with corresponding amounts included in other operating expenses. The determination of provision requires the use of estimates

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The Chief Financial Officer of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 36(3) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

As at 31 December 2015, the fair value of the financial assets at fair value through profit or loss was RMB538,782,000 (2014: RMB2,223,000).

5. TURNOVER AND OTHER REVENUE

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

	2015 RMB'000	2014 RMB'000
Turnover		
Sales of merchandise	27,222,699	29,152,454
Other revenue		
Income from suppliers	1,410,534	1,539,466
Gross rental income from leasing of shop premises	620,341	611,281
Royalty income from franchised stores	50,050	55,542
Commission income from coupon redemption in other retailers	8,346	11,236
	2,089,271	2,217,525
Total revenue	29,311,970	31,369,979

6. SEGMENT INFORMATION

Information reported to the Group's general manager, who is the chief operating decision maker of the Group for the purposes of resource allocation and assessment of performance, is focused on three main operations of the Group identified in accordance with the business nature and the size of the operations.

The reportable operating segments of the Group are as follows:

- Hypermarket chain operation
- Supermarket chain operation
- Convenience store chain operation
- Other operations

There are no significant sales or other transactions between the segments. Other operations of the Group principally comprise sales of merchandise to wholesalers, provision of logistic services for wholesale business, and sales through internet. Other operations of the Group are aggregated when the information is reported to the Group's general manager.

6. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue (including turnover and other revenue) and results by each reportable operating segment for the two years:

	Segment revenue		Segment results	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hypermarkets	**17,966,840**	18,898,085	**(72,865)**	98,030
Supermarkets	**9,238,715**	10,248,720	**66,137**	227,277
Convenience stores	**2,080,258**	2,132,093	**(86,262)**	(84,189)
Other operations	**26,157**	91,081	**(6,888)**	34,269
	29,311,970	31,369,979	**(99,878)**	275,387

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

	2015	2014
	RMB'000	RMB'000
Segment results	**(99,878)**	275,387
Interest income	**84,238**	64,354
Unallocated income	**4,373**	44,593
Unallocated expenses	**(137,564)**	(142,518)
Share of profits of associates	**2,853**	58,113
Consolidated (loss) profit before taxation	**(145,978)**	299,929

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 profits of associates, allocation of headquarter income and expenses (including certain interest income relating to funds centrally managed). 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 segments:

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Segment assets		
– Hypermarkets	**8,448,116**	9,528,574
– Supermarkets	**5,311,757**	5,301,178
– Convenience Stores	**644,245**	575,406
– Other operations	**137,117**	78,912
Total segment assets	**14,541,235**	15,484,070
Investments in associates	**535,636**	557,084
Other unallocated assets (Note)	**2,527,985**	2,387,205
Total assets	**17,604,856**	18,428,359

Note: Other unallocated assets principally comprise certain financial assets, cash and cash equivalents centrally managed by headquarter and deferred tax assets.

6. SEGMENT INFORMATION (Continued)

Other segment information

2015

	Hypermarkets RMB'000	Supermarkets RMB'000	Convenience stores RMB'000	Other operations RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets (Note)	291,535	250,175	49,709	195	591,614
Depreciation	298,105	38,898	114,616	12,691	464,310
Amortisation	4,847	629	6,942	5,282	17,700
Impairment losses on property, plant and equipment	5,100	1,450	275	–	6,825
(Gain) loss on disposal of property, plant and equipment and intangible assets	(783)	1,349	121	(3)	684
Interest income	236,743	71,839	5,243	85,187	399,012
Finance costs	–	–	–	140	140

2014

	Hypermarkets RMB'000	Supermarkets RMB'000	Convenience stores RMB'000	Other operations RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets (Note)	259,405	197,551	50,077	360	507,393
Depreciation	311,285	128,565	39,522	13,832	493,204
Amortisation	5,220	8,121	797	5,883	20,021
Impairment losses on property, plant and equipment	6,700	3,300	455	–	10,455
(Gain) loss on disposal of property, plant and equipment and intangible assets	(1,543)	1,585	829	458	1,329
Interest income	260,249	77,717	6,016	66,736	410,718
Finance costs	–	–	–	143	143

Note: Addition to non-current assets include the additions of property, plant and equipment, construction in progress, land use rights, intangible assets and deposit for acquisition of property, plant and equipment.

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations and non-current assets are substantially located in the PRC. Revenues from external customers are substantially derived from customers located in the PRC. Therefore, no analysis of geographical information is presented.

Information about major customers

None of the revenue from any customer contributed over 10% of the total sales of the Group during the two years.

7. OTHER INCOME AND GAINS

	2015 RMB'000	2014 RMB'000
Interest income on bank balances and term deposits	399,012	410,718
Government subsidies (Note)	53,203	66,331
Fair value change on financial assets at fair value through profit or loss	6,559	4,646
Dividend from financial assets at fair value through profit or loss	25	–
Interest income from available-for-sale financial assets	4,384	20,793
Interest income from held-to-maturity financial assets	–	12,220
Gain on disposal of an associate	–	7,403
Dividend from unlisted equity investments	548	12,377
Salvage sales	27,247	29,154
Others	66,555	107,444
Total	557,533	671,086

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

8. (LOSS) PROFIT BEFORE TAXATION

	2015 RMB'000	2014 RMB'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation and depreciation		
Amortisation of other non-current assets (Note 22)	**1,458**	1,458
Amortisation of intangible assets (Note 15)	**10,010**	11,168
Amortisation of land use rights (Note 14)	**6,232**	7,395
Depreciation of property, plant and equipment (Note 12)	**464,310**	493,204
Total amortisation and depreciation	**482,010**	513,225
Share of profits of associates		
Share of profit before taxation	**(9,284)**	(82,376)
Share of taxation	**6,431**	24,263
	(2,853)	(58,113)
Auditors' remuneration	**6,843**	5,649
Loss on disposal of property, plant and equipment and intangible assets	**684**	1,329
Impairment loss on property, plant and equipment recognised (included in other operating expenses)	**6,825**	10,455
Director's remuneration (Note 10)	**2,321**	6,091
Salaries, wages and other employee benefits of other staff	**2,626,708**	2,645,635
Retirement benefit scheme contribution of other staff	**276,554**	281,708
Total staff costs	**2,905,583**	2,933,434
Allowance for doubtful debts	**829**	3,083
Reversal of allowance for doubtful debts	**(559)**	(1,546)
Reversal of allowance for write-down of inventories (included in cost of sales)	**(6,776)**	–
Cost of inventories recognised as expenses	**23,201,134**	24,911,309

9. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax on PRC Enterprise Income Tax ("EIT")	**108,688**	181,161
Deferred (credit) charge (Note 21)	**145,531**	(2,121)
	254,219	179,040

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

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. During 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.

	2015 RMB'000	2014 RMB'000
(Loss) profit before tax	**(145,978)**	299,929
Tax at PRC EIT tax rate of 25% (2014: 25%)	**(36,495)**	74,982
Tax effect of share of profit of associates	**(713)**	(14,528)
Tax effect of expenses not deductible for tax purpose	**3,238**	16,780
Tax effect of income not taxable for tax purpose	**(947)**	(5,510)
Tax effect of tax losses and deductible temporary differences not recognised	**292,003**	129,106
Utilisation of tax losses previously not recognised	**(1,336)**	(19,375)
Effect of preferential tax rates granted to certain PRC subsidiaries	**(1,531)**	(2,415)
Tax charge for the year	**254,219**	179,040

10. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION

(1) Directors' emoluments

The remuneration of each director for the year ended 31 December 2015 is set out below:

Name of director	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonus	Retirement benefit costs	Medical benefits	2015	2014
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000	RMB'000	RMB'000
Executive/Non-executive Directors:							
Mr. Hua Guo-ping (Note b)	–	185	131	40	14	370	664
Mr. Chen Jian-jun (Note c)	–	46	–	10	4	60	671
Mr. Zhou Zhong-qi (Note d)	–	138	89	30	11	268	585
Ms. Qi Yue-hong (Note e)	–	276	164	59	21	520	585
Mr. Shi Hao-gang (Note f)	–	253	177	54	19	503	286
Mr. Li Guo-ding (Note g)	–	–	–	–	–	–	–
Ms.Wu Jie-qin (Note g)	–	–	–	–	–	–	–
Mr. Ye Yong-ming (Note h)	–	–	–	–	–	–	–
Mr. Zhang Xuan-song (Note i)	–	–	–	–	–	–	–
Mr. Qian Jian-qiang (Note i)	–	–	–	–	–	–	–
Ms. Zheng Xiao-yun (Note i)	–	–	–	–	–	–	–
Mr. Zhang Jing-yi (Note i)	–	–	–	–	–	–	–
Mr. Wong Tak Hung	–	–	–	–	–	–	–
Ms. Cai Lan-ying	–	–	–	–	–	–	2,700
Independent non-executive Directors:							
Mr. Lee Kwok Ming, Don	150	–	–	–	–	150	150
Mr. Zhang Hui Ming (Note j)	138	–	–	–	–	138	150
Mr. Xia Da Wei	150	–	–	–	–	150	150
Mr. Huo Jia-zhen (Note j)	138	–	–	–	–	138	150
Mr. Gu Guo-jian (Note k)	12	–	–	–	–	12	–
Mr. Wang Jin (Note k)	12	–	–	–	–	12	–
2015	**600**	**898**	**561**	**193**	**69**	**2,321**	
2014	600	1,382	3,716	291	102		6,091

10. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

Notes:

(a) The discretionary bonus is determined based on the performance of Group's annual results.

(b) Mr. Hua Guo-ping resigned from the chief executive officer of the company on 28 August 2015, and resigned from the office of executive director of the Company on 17 November 2015.

(c) Mr. Chen Jian-jun resigned from the chairman of the board of the Company on 17 November 2015.

(d) Mr. Zhou Zhong-qi resigned from the chief financial officer of the company on 24 June 2015, and resigned from the office of executive director of the Company on 17 November 2015.

(e) Mr. Shi Hao-gang was elected as the new supervisor of the Company on 30 November 2015 and resigned from the office of executive director.

(f) Ms. Qi Yue-hong was elected as the vice chairman of the board of the Company on 17 November 2015.

(g) Mr. Li Guo-ding and Ms. Wu Jie-qing resigned from the office of non-executive directors of the Company on 17 November 2015.

(h) Mr. Ye yong-ming was elected as the chairman of the board of the Company on 17 November 2015.

(i) Mr. Zhang Xuan-song, Mr. Qian Jian-qiang, Ms. Zheng Xiao-yun and Mr. Zhang Jing-yi were elected as the non-executive directors of the Company on 17 November 2015.

(j) Mr. Zhang Hui-ming and Mr. Huo Jia-zhen resigned from the office of independent non-executive directors of the Company on 17 November 2015.

(k) Mr. Gu Guo-jian and Mr. Wang Jin were elected as the independent non-executive directors of the Company on 17 November 2015.

None of the directors waived any emoluments during the years ended 31 December 2015 and 2014.

10. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(2) Supervisory committee members' emoluments

The remuneration of each supervisor for the year ended 31 December 2015 is set out below:

Name of supervisor	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonus	Retirement benefit costs	Medical benefits	2015	2014
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Zhi-gang (Note b)	–	–	–	–	–	–	–
Mr. Lv Yong (Note c)	–	–	–	–	–	–	–
Ms. Tao Qing	–	–	–	–	–	–	–
Ms. Qian Li-ping (Note d)	–	138	89	30	11	268	585
Mr. Shi Hao-gang (Note e)	–	23	16	5	2	46	–
2015		**161**	**105**	**35**	**13**	**314**	
2014	–	276	232	56	21		585

Notes:

(a) The discretionary bonus is determined based on the performance of Group's annual results.

(b) Mr. Wang Zhi-gang resigned from the office of supervisor of the Company on 28 December 2015.

(c) Mr. Lv Yong was elected as the chairman of the supervisory committee of the Company on 28 December 2015.

(d) Ms. Qian Li-ping resigned from the office of supervisor of the Company on 30 November 2015.

(e) Mr. Shi Hao-gang was elected as the new supervisor of the Company on 30 November 2015 and resigned from the executive director.

None of the supervisors waived any emoluments during the years ended 31 December 2015 and 2014.

10. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(3) Senior management emoluments

The remuneration of each senior management for the year ended 31 December 2015 is set out below:

Name	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonus	Retirement benefit costs	Medical benefits	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Cai Lan-ying (Note a)	–	168	3,181	46	10	3,405	2,700
Mr. Liang Bao-long	–	276	177	59	21	533	567
Mr. Zhang Guo-hong	–	–	–	–	–	–	187
Ms. Hu Li-ping (Note b)	–	270	177	59	21	527	140
Mr. Lin Song (Note c)	–	108	392	20	7	527	–
Mr. Jiang Xiao-fei (Note d)	–	220	210	50	18	498	–
Mr. Shi Hao-gang	–	–	–	–	–	–	140
2015	**–**	**1,042**	**4,137**	**234**	**77**	**5,490**	
2014	–	612	2,934	142	46		3,734

Note:

(a) Ms. Cai Lan-ying resigned from the vice chief executive officer of the Company on 7 July 2015.

(b) Ms. Hu Li-ping was elected as the chief financial officer of the Company on 24 June 2015.

(c) Mr. Lin Song was elected as the chief executive officer of the Company on 8 August 2015.

(d) Mr. Jiang Xiao-fei was elected as the vice chief executive officer of the Company on 3 March 2015.

10. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(4) Five highest paid individuals

Except for Ms. Cai Lan-ying, who resigned from the senior management of the Company on 7 July 2015, of the five highest paid individuals in both years, none of them was a director or supervisor of the Company. The aggregate emoluments of these five highest paid individuals are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries, allowances and benefits-in-kind	1,145	1,152
Discretionary bonuses	20,160	20,575
Retirement benefit costs	269	388
Medical benefits	76	77
	21,650	22,192

Their emoluments fall within the following bands:

	Number	
	2015	2014
HK$4,500,001 – HK$5,000,000	3	–
HK$5,000,001 – HK$5,500,000	1	2
HK$5,500,001 – HK$6,000,000	–	–
HK$6,000,001 – HK$6,500,000	1	1
HK$6,500,001 – HK$7,000,000	–	1
HK$7,500,001 – HK$8,000,000	–	1

During the years, no emoluments were paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. (LOSSES) EARNINGS PER SHARE

The calculation of the basic and diluted (losses) earnings per share is based on the following data:

	2015 RMB'000	2014 RMB'000
(Losses) earnings		
(Losses) profit for the year attributable to owners of the Company	(496,991)	31,033
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (losses) earnings per share	1,119,600,000	1,119,600,000

Diluted (losses) earnings per share are the same as basic (losses) earnings per share as no potential ordinary shares were outstanding during the two years.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Transportation vehicles and equipment	Operating and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2014	2,068,217	2,267,889	292,655	1,786,762	6,415,523
Additions	–	205,277	18,336	132,042	355,655
Transfer from construction in progress	–	4,192	–	–	4,192
Disposals	(4,779)	(120,663)	(16,991)	(143,931)	(286,364)
At 31 December 2014	2,063,438	2,356,695	294,000	1,774,873	6,489,006
Additions	–	119,386	6,819	107,402	233,607
Transfer from construction in progress	–	14,421	–	–	14,421
Disposals	(742)	(146,647)	(10,157)	(106,217)	(263,763)
At 31 December 2015	**2,062,696**	**2,343,855**	**290,662**	**1,776,058**	**6,473,271**
DEPRECIATION					
At 1 January 2014	502,476	1,519,732	171,651	1,078,540	3,272,399
Provided for the year	65,268	221,948	24,996	180,992	493,204
Eliminated on disposals	(1,163)	(119,100)	(13,028)	(122,550)	(255,841)
At 31 December 2014	566,581	1,622,580	183,619	1,136,982	3,509,762
Provided for the year	65,288	196,110	23,497	179,415	464,310
Eliminated on disposals	(382)	(138,802)	(7,503)	(94,321)	(241,008)
At 31 December 2015	**631,487**	**1,679,888**	**199,613**	**1,222,076**	**3,733,064**
IMPAIRMENT					
At 1 January 2014	–	26,573	1,512	34,141	62,226
Provided for the year	–	3,095	–	7,360	10,455
Eliminated on disposals	–	(6,703)	–	(11,010)	(17,713)
At 31 December 2014	–	22,965	1,512	30,491	54,968
Provided for the year	–	4,433	–	2,392	6,825
Eliminated on disposals	–	(6,580)	–	(6,768)	(13,348)
At 31 December 2015	**–**	**20,818**	**1,512**	**26,115**	**48,445**
CARRYING VALUES					
At 31 December 2015	**1,431,209**	**643,149**	**89,537**	**527,867**	**2,691,762**
At 31 December 2014	1,496,857	711,150	108,869	607,400	2,924,276

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) An impairment loss of RMB6,825,000 (2014: RMB10,455,000) on certain items of property plant and equipment was recognised during the year as a result of the decrease in recoverable amounts due to the loss incurred by certain hypermarkets, supermarkets and convenience stores.

(b) Amongst the depreciation expense of RMB464,310,000 (2014: RMB493,204,000), RMB406,802,000 (2014: RMB436,534,000) and RMB57,508,000 (2014: RMB56,670,000) were included in selling and distribution expenses and administrative expenses respectively.

(c) As of 31 December 2015, the carrying amount of certain buildings without building ownership certificates is RMB14,579,000 (2014: RMB15,097,000) in aggregate.

The above items of property, plant and equipment are depreciated, taking into account their residual values, on a straight-line basis as follows:

Buildings	25 – 40 years
Leasehold improvements whichever is shorter	5 – 8 years or the remaining terms of the leases
Transportation, vehicles and equipment	5 – 8 years
Operating and office equipment	3 – 8 years

13. CONSTRUCTION IN PROGRESS

	Construction in progress RMB'000
At 1 January 2014	319,073
Additions	143,240
Transfer to property, plant and equipment (Note 12)	(4,192)
Transfer to intangible assets (Note 15)	(14,454)
At 31 December 2014	443,667
Additions	**351,125**
Transfer to property, plant and equipment (Note 12)	**(14,421)**
Transfer to intangible assets (Note 15)	**(6,953)**
At 31 December 2015	**773,418**

14. LAND USE RIGHTS

	Land use rights RMB'000
COST	
At 1 January 2014	410,486
Additions	4,646
At 31 December 2014	415,132
Additions	–
At 31 December 2015	**415,132**
AMORTISATION	
At 1 January 2014	59,693
Charge for the year	7,395
At 31 December 2014	67,088
Charge for the year	6,232
At 31 December 2015	**73,320**
CARRYING VALUES	
At 31 December 2015	**341,812**
At 31 December 2014	348,044

	31/12/2015 RMB'000	31/12/2014 RMB'000
Analysed for reporting purposes as:		
Non-current portion	**335,580**	341,812
Current portion to be charged to the profit or loss next year included in deposits, prepayments and other receivables (Note 25)	**6,232**	6,232
Total	**341,812**	348,044

Notes: Amongst the amortisation charge for the year of RMB6,232,000 (2014: RMB7,395,000), RMB3,665,000 (2014: RMB3,517,000) and RMB2,567,000 (2014 RMB3,878,000) were included in selling and distribution expenses and administrative expenses respectively.

The Group's interests in land use rights, representing prepaid operating lease payment for land in the PRC, all have a medium lease term and the land use right period ranges from 35 to 50 years.

15. INTANGIBLE ASSETS

	Software RMB'000	Goodwill RMB'000	Total RMB'000
COST			
At 1 January 2014	161,390	151,941	313,331
Additions	3,852	–	3,852
Transfer from construction in progress (Note 13)	14,454	–	14,454
Disposals	(2,122)	–	(2,122)
At 31 December 2014	177,574	151,941	329,515
Additions	6,882	–	6,882
Transfer from construction in progress (Note 13)	6,953	–	6,953
Disposals	(173)	–	(173)
At 31 December 2015	**191,236**	**151,941**	**343,177**
AMORTISATION AND IMPAIRMENT			
At 1 January 2014	123,068	–	123,068
Charge for the year	11,168	–	11,168
Eliminated on disposals	(1,190)	–	(1,190)
At 31 December 2014	133,046	–	133,046
Charge for the year	10,010	–	10,010
Eliminated on disposals	(173)	–	(173)
At 31 December 2015	**142,883**	**–**	**142,883**
CARRYING VALUES			
At 31 December 2015	**48,353**	**151,941**	**200,294**
At 31 December 2014	44,528	151,941	196,469

Notes:

(a) Amongst the amortisation charge for the year of RMB10,010,000 (2014: RMB11,168,000), RMB1,229,000 (2014: RMB1,654,000) and RMB8,781,000(2014: RMB9,514,000) were included in selling and distribution expenses and administrative expenses respectively.

(b) The above software has definite useful lives and is amortised on a straight-line basis over 5 to 10 years.

15. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to three cash-generating units identified according to the operating segments as follows:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Hangzhou Lianhua Huashang Supermarket Group Co., Ltd.	**69,534**	69,534
Guangxi Lianhua Supermarket Joint Stock Co., Ltd.	**47,638**	47,638
Shanghai Century Lianhua Hypermarket Supermarket Development Co., Ltd.	**22,198**	22,198
Others	**12,571**	12,571
	151,941	151,941

The recoverable amounts of the cash-generating units are determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period as extrapolated for perpetuity (2014: 15 years) using a growth rate of 0% to 8% (2014: 0% to 10%), as appropriate, and a discount rate of 3% to 6.55% (2014: 7%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the relevant cash-generating unit's past performance and management's expectations for the market condition. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of cash-generating units to exceed their aggregate recoverable amounts.

16. INTERESTS IN ASSOCIATES

The Group	31/12/2015 RMB'000	31/12/2014 RMB'000
Unlisted equity investments, at cost	**255,061**	255,061
Share of post – acquisition profits, net of dividends received	**280,575**	302,023
	535,636	557,084

Interests in associates as at 31 December 2015 include goodwill of RMB6,787,000 (2014: RMB6,787,000).

16. INTERESTS IN ASSOCIATES (Continued)

At December 31, 2015 and 2014, the Group had interests in the following associates:

Name of entities	business structure	Place of registration and operation	Percentage of equity interest attributable to the Group		Principal activities
			2015	2014	
			%	%	
Shanghai Carhua Supermarket Co., Ltd.(Carhua)	Corporate	The PRC	**45.00**	45.00	Hypermarket
Shanghai Sanming Taige information technology Co., Ltd.	Corporate	The PRC	**45.00**	45.00	Trading Company
Shanghai Gude commerce Company	Corporate	The PRC	**27.00**	27.00	Trading Company
Tianjin Yishang Friendship Holdings Co.,Ltd. (Tianjin Yishang)	Corporate	The PRC	**20.00**	20.00	Department Stores
Lianhua Mei Ri Ling Commercial (Shanghai) Co., Ltd.	Corporate	The PRC	**43.00**	43.00	Cosmetic Drugstore
Shantou Liahua Southern Purchase and Distribution Co., Ltd.	Corporate	The PRC	**45.00**	45.00	Logistics Services
Shanghai Aofa Trading Development Co., Ltd.	Corporate	The PRC	**30.00**	30.00	Trading Company

All of the above associates are accounted for using the equity method in these consolidated financial statements.

16. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's material associates at the end of the reporting period is set out below representing amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

Carhua

	31/12/2015 RMB'000	31/12/2014 RMB'000
Current assets	1,489,813	1,344,752
Non-current assets	1,046,180	1,178,434
Current liabilities	1,711,306	1,663,686

	2015 RMB'000	2014 RMB'000
Revenue	5,365,356	5,901,997
Profit for the year	27,975	138,236
Dividends received from the associate during the year	28,255	80,537

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Net assets of Carhua	824,687	859,500
Proportion of the Group's ownership interest in Carhua	45%	45%
Carrying amount of the Group's interest in Carhua	371,109	386,775

16. INTERESTS IN ASSOCIATES (Continued)

Tianjin Yishang

	31/12/2015 RMB'000	31/12/2014 RMB'000
Current assets	**454,827**	319,712
Non-current assets	**3,311,783**	3,084,685
Current liabilities	**1,785,140**	1,467,148
Non-current liabilities	**1,259,528**	1,200,583

	2015 RMB'000	2014 RMB'000
Revenue	**3,228,862**	3,300,232
(Loss) profit for the year	**(34,959)**	134
Dividends received from the associate during the year	**–**	–
Capital contribution received during the year	**4,047**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Net assets of Tianjin Yishang	**721,942**	736,666
Proportion of the Group's ownership interest in Tianjin Yishang	**20%**	20%
The Group's interest in Tianjin Yishang	**144,388**	147,333
Goodwill	**6,787**	6,787
Carrying amount of the Group's interest in Tianjin Yishang	**151,175**	154,120

Aggregate information of associates that are not individually material:

	2015 RMB'000	2014 RMB'000
The Group's share of loss	**(2,744)**	(4,120)
Aggregate carrying amount of the Group's interests in these associates	**13,352**	16,189

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31/12/2015 RMB'000	31/12/2014 RMB'000
Non-current		
Legal person shares, at cost (Note a)	312	312
Unlisted equity investments, at cost (Note b)	67,023	36,258
Listed equity investments, at fair value (Note d)	8,672	–
	76,007	36,570
Current		
Unlisted debt investments, at cost (Note c)	7,000	32,000
Unlisted managed investment funds, at cost	–	214,628
	7,000	246,628
Total	83,007	283,198

Notes:

(a) These represent investments in legal person shares of certain PRC listed companies. The legal person shares are measured at cost less any identified impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that directors are of the opinion that their fair values cannot be measured reliably.

(b) These represent investments in certain unlisted companies in the PRC. The unlisted equity investments are measured at cost less any identified impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that directors are of the opinion that their fair values cannot be measured reliably.

(c) The 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. The entrusted institutions undertake return of principal and a yield rate 4.85% per annum upon maturity on 31 December 2015.

(d) The equity investment has been listed during the year ended 31 December 2015. The listed equity investment is measured at fair value.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Equity securities listed in Shanghai Stock Exchange	2,688	2,223
Unlisted debt investments (Note)	536,094	–
Total	538,782	2,223

Note: The investments are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including bonds, trusts, cash funds or bond funds issued and circulated in the PRC in accordance with the entrusted agreements entered into between the parties involved.

19. TERM DEPOSITS

Term deposits placed with banks in the PRC are denominated in RMB. Deposits having a maturity period over 3 months but within 1 year are presented as current assets whilst deposits having a maturity period over 1 year but not exceeding 5 years are presented as non-current assets.

As at 31 December 2015, restricted term deposits amounting to RMB1,389,000,000 (2014: RMB1,476,000,000) are placed by the Group, with certain banks as a security for coupons issued to customers and are not available for other use by the Group.

The effective interest rates on term deposits range from 2.10%to 6.80% (2014: 3.30%to 6.80%) per annum for the group. The carrying amounts of the term deposits of the Group approximate their fair value.

20. PREPAID RENTAL

Prepaid rental is for the lease of certain store premises and is amortised over the relevant lease periods. Prepaid rental, amounting to RMB326,549,000 (2014: RMB365,277,000), to be charged to the consolidated statement of comprehensive income within one year subsequent to the end of the reporting period is included in current assets as prepayments (see Note 25).

21. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Deferred tax assets	66,614	215,749
Deferred tax liabilities	(96,971)	(98,657)
	(30,357)	117,092

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Fair value adjustments RMB'000	Bad debt and inventory provisions RMB'000	Accrued expenses RMB'000	Accrued income RMB'000	Rental expenses RMB'000	Total RMB'000
At 1 January 2014	(43,153)	2,889	51,238	(45,245)	149,242	114,971
Credit (charge) to profit or loss	1,919	478	(3,942)	(12,178)	15,844	2,121
At 31 December 2014	(41,234)	3,367	47,296	(57,423)	165,086	117,092
Credit (charge) to profit or loss	417	(1,611)	(38,576)	3,187	(108,948)	(145,531)
Charge to other comprehensive income	(1,918)	–	–	–	–	(1,918)
At 31 December 2015	**(42,735)**	**1,756**	**8,720**	**(54,236)**	**56,138**	**(30,357)**

The Group has unutilised tax losses of approximately RMB2,704,004,000 (2014: RMB2,451,548,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profit streams.

The unrecognised unused tax losses will expire as follows:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Year of expiry		
2015	–	416,219
2016	561,298	561,842
2017	738,901	739,975
2018 to 2020 (2014: 2018 to 2019)	1,403,805	733,512
	2,704,004	2,451,548

22. 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.

Amongst the amortisation of RMB1,458,000 (2014: RMB1,458,000), RMB1,335,000 (2014: RMB1,335,000) and RMB123,000 (2014: RMB123,000) were included in selling and distribution expenses and administrative expenses respectively.

23. INVENTORIES

	31/12/2015 RMB'000	31/12/2014 RMB'000
Merchandise for resale	2,831,109	2,676,555
Write-down for obsolescence	(7,734)	(14,510)
	2,823,375	2,662,045
Low value consumables	13,450	14,355
	2,836,825	2,676,400

24. 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 (2014:30 to 60 days), is as follows:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Within 30 days	69,751	94,930
31-60 days	258	5,649
61-90 days	11	39
91 days – one year	17,065	754
	87,085	101,372

The trade debtors are mainly major retailer chains and well established banks, with good credit standing. The management considered the credit quality of the trade receivables that are neither past due nor impaired were good and there was no default from those debtors in historical record.

24. TRADE RECEIVABLES (Continued)

Aging of trade receivables which are past due but not impaired:

	31/12/2015 RMB'000	31/12/2014 RMB'000
61-90 days	11	39
91 days – one year	17,065	754
	17,076	793

Movement in allowance for doubtful debts is as follows:

	2015 RMB'000	2014 RMB'000
1 January	4,774	1,691
Impairment losses recognised	–	3,083
Amounts reversed during the year	(559)	–
Amounts written-off during the year	(313)	–
31 December	3,902	4,774

The carrying amounts of trade receivables of the Group approximate their fair value.

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2015 RMB'000	31/12/2014 RMB'000
Land use right – current portion (Note 14)	6,232	6,232
Prepaid rental (Note 20)	326,549	365,277
Deposits and prepayments	251,223	203,894
Other receivables net of allowance for doubtful debts (Note)	411,469	501,524
	995,473	1,076,927

Notes: Other receivables included mainly interest recoverable from bank deposits in both years.

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts is as the follows:

	2015 RMB'000	2014 RMB'000
1 January	**2,848**	4,417
Impairment losses recognised	**829**	–
Amount recovered during the year	**–**	(1,546)
Amounts written-off during the year	**(101)**	(23)
31 December	**3,576**	2,848

26. 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 (2014: 30 to 60 days). As at 31 December 2015, balances of both amounts due from/to fellow subsidiaries are all aged within 60 days (2014: 60 days).

27. AMOUNTS DUE FROM/TO ASSOCIATES

Amounts due from/to associates represent balances arising from expenses paid on behalf of certain associates and purchases of merchandise from associates respectively. Balances are all aged within 90 days (2014: 90 days) and the credit terms of the trade balances range from 30 to 90 days (2014: 30 to 90 days). Such balances with associates are unsecured and interest free.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprising cash on hand and cash placed with banks in the PRC are denominated in RMB. The remittance of these funds out of the PRC is subject to the exchange control imposed by the PRC government.

Bank balances carry interest at prevailing market rates ranging from 0.35% to 6.80% per annum for the year ended 31 December 2015 (2014: ranging from 0.35% to 5.45% per annum).

29. 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 (2014: 30 to 60 days), is as follows:

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Within 30 days	**1,924,636**	1,963,490
31-60 days	**680,459**	809,341
61-90 days	**327,625**	231,245
91 days – one year	**871,349**	709,364
	3,804,069	3,713,440

30. OTHER PAYABLES AND ACCRUALS

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Payroll, staff welfare and other staff cost payable	**316,393**	306,673
Value added tax and other payables	**145,883**	116,732
Rental payable	**839,469**	766,120
Deposits from lessees, franchisees and other third parties	**200,885**	183,868
Dividend payable to non-controlling interest	**3,360**	–
Amount payable to other retailers upon customers' redemption of coupon issued by the Group	**6,191**	9,140
Prepayments received from franchisees and other third parties	**307,369**	284,740
Payables for acquisition of property, plant and equipment and low value consumables	**209,902**	82,719
Store closure provision	**11,153**	22,010
Accruals	**132,170**	102,898
Advance from customers	**110,664**	94,402
Other miscellaneous payables	**51,646**	38,589
	2,335,085	2,007,891

31. COUPON LIABILITIES

The Group incurs coupon liabilities when coupons are sold. Coupons redeemed in exchange for products of the Group during the year are recognised as sales in the consolidated statement of comprehensive income using the coupon sales value. Certain coupons redeemed 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 agreement.

32. BANK BORROWINGS

	31/12/2015 RMB'000	31/12/2014 RMB'000
Bank loans, repayable within one year, unsecured, with interest rate of 5.98% (2014: 7.28%) per annum	**2,000**	2,000

The bank borrowing was repayable within one year, but subject to renewal on a yearly roll over basis at the end of the maturity date. For 23 September 2015, the Group's bank borrowings were rolled over and the maturity date is 16 September 2016.

33. SHARE CAPITAL

	Number of shares of RMB1.00 each		Nominal value	
	31/12/2015	31/12/2014	**31/12/2015** **RMB'000**	31/12/2014 RMB'000
Registered, issued and fully paid:				
At 1 January 2014, 31 December 2014 and 31 December 2015	**1,119,600,000**	1,119,600,000	**1,119,600**	1,119,600

The share capital of the Company as at 31 December 2015 and 2014 comprises:

	Number of shares of RMB1.00 each		Nominal value	
	31/12/2015	31/12/2014	**31/12/2015** **RMB'000**	31/12/2014 RMB'000
Domestic shares(Note)	**715,397,400**	715,397,400	**715,397**	715,397
Unlisted foreign shares	**31,602,600**	31,602,600	**31,603**	31,603
H shares	**372,600,000**	372,600,000	**372,600**	372,600
	1,119,600,000	1,119,600,000	**1,119,600**	1,119,600

The H shares rank pari passu in all respects with the domestic shares and the unlisted foreign shares and rank equally for all dividends declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Taiwan, Macau Special Administrative Region of the PRC or any countries other than the PRC. The transfer of the domestic and unlisted foreign shares is subject to such restrictions as the PRC laws may impose from time to time.

33. SHARE CAPITAL (Continued)

Note: Baiqing Investment and Yonghui Superstores have entered into an equity transfer contract (the"Equity Transfer Contract") on 17 April 2015, pursuant to which, Baiqing Investment agreed to transfer 237,029,400 unlisted domestic shares (representing approximately 21.17% of the equity interest in the Company) to Yonghui Superstores at the consideration of HKD3.92 per domestic share.

Shanghai Bailian and Bailian Group have entered into the Equity Entrustment Agreement on 17 April 2015, pursuant to which, Shanghai Bailian would manage 97,416,000 unlisted domestic shares of the Company (representing approximately 8.70% of the equity interest in the Company) held by Bailian Group and 156,744,000 unlisted domestic shares of the Company (representing approximately 14.00% of the equity interest in the Company) to be held by Bailian Group upon the completion of the Equity Exchange Agreement together with any shares to be allotted to or acquired by Bailian Group during the term of the Equity Entrustment Agreement (the"Managed Shares"). As stated in the Equity Entrustment Announcements, Bailian Group agreed to pay Shanghai Bailian a fixed annual fee of RMB300,000 for managing the Managed Shares and the Equity Entrustment Agreement will be effective from the date of the Equity Entrustment Agreement until the date when Bailian Group ceases to hold equity interest in all the Managed Shares.

34. NON-CONTROLLING INTERESTS

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Balance at beginning of year	**272,025**	277,292
Share of profit for the year	**96,794**	89,856
Dividend paid to non-controlling interest during the year	**(84,904)**	(95,123)
	283,915	272,025

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Hangzhou Lianhua Huashang Group Co., Ltd. ("Lianhua Huashang") and its subsidiaries at the end of the reporting period is set out below. The summarised financial information blow represents amounts before intra group eliminations:

34. NON-CONTROLLING INTERESTS (Continued)

Lianhua Huashang and its subsidiaries

	31/12/2015 RMB'000	31/12/2014 RMB'000
Current assets	6,669,797	6,710,318
Non-current assets	1,789,543	1,741,699
Current liabilities	7,599,813	7,616,491
Non-current liabilities	100,513	103,088
Equity attributable to owners of the Company	551,156	541,258
Non-controlling interests	207,858	191,180

	2015 RMB'000	2014 RMB'000
Revenue	12,882,498	13,141,919
Total cost of sales, expense and other income	(12,541,339)	(12,827,994)
Profit for the year	341,159	313,925
Profit attributable to owner of the Company	252,843	240,098
Profit attributable to non-controlling interests	88,316	73,827
Dividends paid to non-controlling shareholders	71,638	79,435

	2015 RMB'000	2014 RMB'000
Net cash inflow from operating activities	568,663	553,229
Net cash outflow from (used in) investing activities	448,221	(715,599)
Net cash outflow used in financing activities	(313,697)	(450,581)
Net cash inflow (outflow)	703,187	(612,951)

35. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Company generally represents equity attributable to owners of the Company, comprising issued share capital, various reserves and retained earnings.

The management of the Group reviews the capital structure regularly. The Company considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debts or the redemption of existing debts.

36. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

Financial assets

	31/12/2015 RMB'000	31/12/2014 RMB'000
Financial assets at fair value through profit or loss	538,782	2,223
Available-for-sale financial assets	83,007	283,198
Loans and receivables (including cash and cash equivalents)	8,891,572	10,110,515
	9,513,361	10,395,936

Financial liabilities

	31/12/2015 RMB'000	31/12/2014 RMB'000
Bank borrowings	2,000	2,000
Other financial liabilities, at amortised cost	4,960,018	5,073,287
	4,962,018	5,075,287

(2) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale financial assets, held-to-maturity financial assets, financial assets at fair value through profit or loss, term deposits, cash and cash equivalents, amounts due from/to fellow subsidiaries/subsidiaries/associates/other related parties, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

36. FINANCIAL INSTRUMENTS (Continued)

(2) Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, terms deposits, available-for-sale financial assets and bank borrowings. It is the Group's policy to keep a portion of its financial assets and financial liabilities at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances and team deposits. The analysis is prepared assuming the variable-rate financial assets outstanding at the end of the reporting period were outstanding for the whole year. A 10-basis point (2014: 10-basis point) increase or decrease in the interest rates is the sensitivity rate used when reporting interest risk internally to key management personal and represent management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 10-basis point (2014: 10-basis point) higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2015 and 2014 would have been increased/decreased by approximately RMB6,748,316 and RMB7,333,568.

Equity price risk

The Group was exposed to equity price risk in relation to its available-for-sale financial assets in legal person shares and debt security price risk in relation to its financial assets at fair value through profit or loss. The legal person shares were measured at fair value at each balance sheet date. These legal person shares were under undertaking not for trading for certain periods and the Group disposed of a substantial portion during the year ended 31 December 2015 upon release of the restriction. In management's opinion, the sensitivity of legal person shares is then insignificant to the Group.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

The sensitivity analyses below have been determined based on the exposure to debt security in relation to the Group's financial assets at fair value through profit or loss at the reporting date.

If the prices of the debt instruments had been 5% (2014: 5%) higher/lower, post-tax profit for the year ended December 31, 2015 would have increased/decreased by RMB20,529,525 (2014: RMB83,000) as a result of the changes in fair value of the financial assets at fair value through profit or loss.

36. FINANCIAL INSTRUMENTS (Continued)

(2) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

Trade receivables are due from regular institutional customers with an appropriate financial strength. The Group did not experience any significant defaults by the debtors.

The credit risk on liquid funds, i.e., bank balances and short-term term deposit, is limited because the counterparties are banks with high reputation in the PRC. In addition, the credit risk on long-term term deposit and available-for-sale financial assets is also limited because the counterparties are either banks with high reputation or nationwide and regional renowned financial institutions in the PRC.

As at 31 December 2015, the group's balances deposited in the five banks accounted for 67.5% of total term deposits and cash and cash equivalents of the Group (2014: 67.7%).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As of 31 December 2015, the Group has net current liabilities of RMB4,244,467,000 (2014: RMB3,405,147,000). Taking into account of the support from its holding companies, the directors of the Company consider the liquidity risk is properly monitored.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are contractual undiscounted cash flows.

36. FINANCIAL INSTRUMENTS (Continued)

(2) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Financial liabilities	Weighted average interest rate	On demand or Less than 6 months	6 months to 1 year	Over 1 year	Undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2015						
Trade payables	–	3,804,069	–	–	3,804,069	3,804,069
Other payables and accruals	–	1,110,568	–	–	1,110,568	1,110,568
Amounts due to fellow subsidiaries	–	37,259	–	–	37,259	37,259
Amounts due to associates	–	3,040	–	–	3,040	3,040
Amounts due to other related Parties	–	5,082	–	–	5,082	5,082
Bank borrowings	5.98	–	2,120	–	2,120	2,000
		4,960,018	2,120	–	4,962,138	4,962,018
As at 31 December 2014						
Trade payables	–	3,713,440	–	–	3,713,440	3,713,440
Other payables and accruals	–	1,306,139	–	–	1,306,139	1,306,139
Amounts due to fellow subsidiaries	–	48,193	–	–	48,193	48,193
Amounts due to associates	–	5,515	–	–	5,515	5,515
Bank borrowings	7.28	–	2,146	–	2,146	2,000
		5,073,287	2,146	–	5,075,433	5,075,287

(3) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis

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 assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

36. FINANCIAL INSTRUMENTS (Continued)

(3) Fair value measurements of financial instruments (Continued)

Financial assets	Fair value as at		Fair value hierarchy	valuation technique(s) and key input(s)	Significant unobservable input(s)
	31/12/2015 RMB'000	31/12/2014 RMB'000			
1) Investments in low risk bank financial products classified as financial assets at fair value through profit or lost in the statement of financial position	**Assets – 536,094**	N/A	Level 3	Discounted cash flow. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties	Actual yield of the underlying investment portfolio and the discount rate
2) Investment in equity shares listed in Shanghai Stock Exchange classified as financial assets at fair value through profit or lost in the statement of financial position	**Assets – 2,688 Equity securities: – Real estates (2,659) – Agricultural (29)**	Assets – 2,223 Equity securities: – Real estates (2,199) – Agricultural (24)	Level 1	Quoted bid prices in an active market	N/A
3) Investment in equity shares listed in Shanghai Stock Exchange classified as available-for-sales in the statement of financial position	**Assets – 8,672**	N/A	Level 1	Quoted bid prices in an active market	N/A

The following table represents the changes in Level 3 available-for-sale investments during the year ended December 31, 2015 and 2014.

	31/12/2015 RMB'000	31/12/2014 RMB'000
At beginning of the year	**–**	140,022
Addition	**530,000**	400,000
Disposal	**–**	(544,095)
Total gain recognised in profit or loss	**6,094**	4,073
At end of the year	**536,094**	–

37. CAPITAL COMMITMENTS

	31/12/2015 RMB'000	31/12/2014 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	**421,749**	173,053
– authorised but not contracted for	**322,067**	781,588

38. OPERATING LEASE

(1) The Group as lessee

	31/12/2015 RMB'000	31/12/2014 RMB'000
Minimum lease paid and recognised as an expense under operating leases during the year:		
– Land and buildings	**1,811,194**	1,762,288

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Within one year	**1,607,250**	1,583,451
In the second to fifth years inclusive	**5,330,822**	5,316,261
Over five years	**6,883,873**	7,728,220
	13,821,945	14,627,932

The minimum lease payments related to leasing of shop premises were negotiated for a lease period ranging from short to medium terms.

The operating lease rental of certain shop premises with a fellow subsidiary is based on the higher of a minimum guaranteed rental or a sales level based rental.

38. OPERATING LEASE (Continued)

(2) The Group as lessor

The Group had aggregate minimum lease receipts under non-cancellable operating leases in respect of shop premises as follows:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Minimum lease received under operating leases in respect of shop premises during the year	**620,341**	611,281

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Within one year	**248,051**	226,328
In the second to fifth years inclusive	**443,806**	393,961
Over five years	**337,774**	364,082
	1,029,631	984,371

The minimum lease payments related to leasing of shop premises were negotiated for a lease period ranging from short to medium terms.

39. RETIREMENT BENEFIT PLANS

Defined contribution plans

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB276,554,000 (2014: RMB281,708,000) represents contributions payable to these scheme by the Group in respect of the current accounting period.

40. RELATED PARTY TRANSACTIONS

Apart from those disclosed under Notes 16, 26 and 27, the Group entered into significant related party transactions during the year, the details of which are set out below:

(1) Related party transactions

	NOTES	2015 RMB'000	2014 RMB'000
Sales to fellow subsidiaries	(a)	**2,463**	–
Purchases from associates Trading Co., Ltd., Sanming Taige Information Technology Co., Ltd. and Shantou Lianhua South Purchase and Distribution Co., Ltd.	(a)	**12,257**	31,462
Purchases from fellow subsidiaries	(a)	**112,943**	168,078
Rental expenses and property management fee paid to fellow subsidiaries	(b)	**98,111**	77,380
Rental income from fellow subsidiaries	(c)	**14,195**	12,606
Commission income received from fellow subsidiaries	(d)	**631**	811
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	(e)	**10,294**	12,395
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	(e)	**11,659**	12,675
Interest income earned from a fellow subsidiary	(f)	**1,285**	3,347
Purchases from shareholder Yonghui Superstores		**3,006**	–
Management fee paid to Yonghui Superstores		**2,041**	–
Capital increase in fellow subsidiary	(g)	**11,765**	–

Fellow subsidiaries above are other subsidiaries of Bailian Group.

Notes:

(a) This represents sales to and purchase from Bailian Group in respect of various kinds of merchandise, including but not limited to food products, daily products and electrical appliances, which were determined in accordance with the terms of underlying agreement at the market price.

(b) These represent rental expenses and property management fee of certain hypermarkets paid to fellow subsidiaries. The rentals and fee were charged in accordance with the terms of the underlying agreements at the market price.

(c) Certain areas of the Group's hypermarket are rented to fellow subsidiaries which were charged in accordance with the terms of the underlying agreements at the market price.

40. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

Notes: (Continued)

(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: at rates ranging from 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.

(g) Lianhua E-Business, a wholly owned subsidiary of the Company, agreed to inject a further capital of RMB11,765,000 to Bailian E-Commerce in cash in 12 March 2015.

(2) Related party balances

The Group entered into a financial services agreement with a fellow subsidiary controlled by Bailian Group on 28 February 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.

	31/12/2015	31/12/2014
	RMB'000	RMB'000
Cash and cash equivalents in a fellow subsidiary	**237,182**	177,716
Unrestricted term deposits in a fellow subsidiary	**415,000**	335,000

40. RELATED PARTY TRANSACTIONS (Continued)

(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.

During the two years, significant amount of the Group's purchase were from Government Related Entities and most of the Group's deposits 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 two years was as follows:

	2015	2014
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**6,904**	9,154
Post-employment benefits	**462**	488
Other long-term benefits	**158**	166
	7,524	9,808

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2015 and 31 December 2014 are as follows:

Name of entities	Date of establishment	Registered and fully paid capital	Proportion voting power and ownership interest held by the Company				Principal activities
		RMB'000	Directly		Indirectly		
			2015	2014	2015	2014	
			%	%	%	%	
Subsidiaries							
Tianjin Yishang Lianhua Supermarket Co., Ltd.	1 September 2002	30,000	100.00	100.00	–	–	Hypermarket
Shanghai Century Lianhua Supermarket Development Co., Ltd.	24 November 1997	500,000	100.00	100.00	–	–	Hypermarket
Hangzhou Lianhua Huashang Group Co., Ltd.	1 June 2001	120,500	74.19	74.19	–	–	Supermarket and hypermarket
Lianhua Supermarket Jiangsu Co., Ltd.	21 March 2003	50,000	100.00	100.00	–	–	Supermarket and hypermarket
Guangxi Lianhua Supermarket Joint Stock Co., Ltd.	18 November 2001	68,670	95.00	95.00	–	–	hypermarket Supermarket and convenience store Supermarket
Shanghai Lianhua Supermarket Development Co., Ltd.	8 April 2006	10,000	100.00	100.00	–	–	Supermarket
Lianhua Quik Stores Co., Ltd.	25 November 1997	63,000	100.00	100.00	–	–	Convenience store
Shanghai Lianhua Commercial Trading Co., Ltd.	27 June 2001	3,000	100.00	100.00	–	–	Wholesaling
Shanghai Lianhua Supermarket Distribution Co., Ltd.	29 October 1998	5,000	100.00	100.00	–	–	Purchase and distribution
Lianhua Logistic Co., Ltd.	17 October 2007	50,000	100.00	100.00	–	–	Purchase and distribution
Shanghai Lianhua Supermarket Jilin Purchase and Distribution Co., Ltd.	9 August 2000	1,000	51.00	51.00	–	–	Purchase and distribution
Shanghai Lianhua Live and Fresh Food Processing and Distribution Co., Ltd.	29 December 1999	5,000	90.00	90.00	–	–	Fresh food processing and distribution
Lianhua E-business Co., Ltd.	4 October 1995	55,000	90.91	90.91	–	–	Trading
Hualian Supermarket Holdings Company Limited	15 August 2006	300,000	99.40	99.40	0.60	0.60	Supermarket
Shanghai Bei Heng Investment Management Co., Ltd. (Note)	27 October 2011	30,000	–	100.00	–	–	Investment management

Notes: Shanghai Bei Heng Investment Management Co., Ltd, the subsidiary of the company had been deregistered during the year ended 31 December 2015.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in excessive length.

All of the subsidiaries described above are limited liability companies established in the PRC. None of the subsidiaries had issued any debt securities at the end of both years.

42. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2015 RMB'000	31/12/2014 RMB'000
Non-current assets		
Property, plant and equipment	213,524	224,943
Construction in progress	5,121	8,687
Land use rights	27,244	28,173
Intangible assets	10,847	11,389
Investments in subsidiaries	1,766,145	1,796,145
Interests in associates	254,232	254,232
Available-for-sale financial assets	11,407	3,735
Term deposits		
– restricted	–	3,000
– unrestricted	453,851	455,000
Deferred tax assets	2,874	2,206
Other non-current assets	2,593	2,716
	2,747,838	2,790,226
Current assets		
Inventories	349,451	364,001
Trade receivable	6,258	–
Deposits, prepayments and other receivables	69,223	58,629
Amounts due from fellow subsidiaries	354	–
Amounts due from subsidiaries	5,679,142	5,867,515
Amounts due from associates	173	61
Available-for-sale financial assets	–	214,628
Term deposits		
– restricted	3,000	10,000
– unrestricted	440,000	310,000
Cash and cash equivalents	1,026,856	1,149,482
	7,574,457	7,974,316
Total assets	10,322,295	10,764,542

42. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

	31/12/2015 RMB'000	31/12/2014 RMB'000
Capital and reserves		
Share capital	**1,119,600**	1,119,600
Reserves	**4,046,167**	3,750,977
Total equity	**5,165,767**	4,870,577
Non-current liability		
Deferred tax liabilities	**1,918**	–
Current liabilities		
Trade payables	**1,968,975**	2,261,498
Other payables and accruals	**31,766**	19,531
Coupon liabilities	**2,422,584**	2,723,246
Amounts due to fellow subsidiaries	**36,832**	48,167
Amounts due to subsidiaries	**672,093**	813,849
Amounts due to associates	**3,040**	5,515
Amounts due to other related parties	**5,082**	–
Tax payable	**14,238**	22,159
	5,154,610	5,893,965
Total liabilities	**5,156,528**	5,893,965
Total equity and liabilities	**10,322,295**	10,764,542
Net current assets	**2,419,847**	2,080,351
Total assets less current liabilities	**5,167,685**	4,870,577

42. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in reserves of the Company was set forth below:

	Share capital	Capital reserve	Other reserve	Statutory common reserve fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	1,119,600	258,353	3,595	492,911	2,467,168	4,341,627
Profit and total comprehensive income for the year	–	–	–	–	528,950	528,950
Profit appropriation	–	–	–	47,398	(47,398)	–
At 31 December 2014	1,119,600	258,353	3,595	540,309	2,948,720	4,870,577
Profit for the year	–	–	–	–	289,436	289,436
Other comprehensive income for the year	–	–	5,754	–	–	5,754
Total comprehensive income for the year	–	–	5,754	–	289,436	295,190
Profit appropriation	–	–	–	19,491	(19,491)	–
At 31 December 2015	**1,119,600**	**258,353**	**9,349**	**559,800**	**3,218,665**	**5,165,767**

The amount of the Company's retained profits available for distribution to shareholders as at 31 December 2015 amounted to approximately RMB3,218,665,000 (2014: RMB2,948,720,000).

43. AUTHORISATION FOR THE ISSUE OF THE ACCOUNTS

These consolidated financial statements were authorised for issue by the Company's Board of Directors on 30 March 2016.

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

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