联华超市股份有限公司

LIANHUA SUPERMARKET HOLDINGS CO.,LTD.

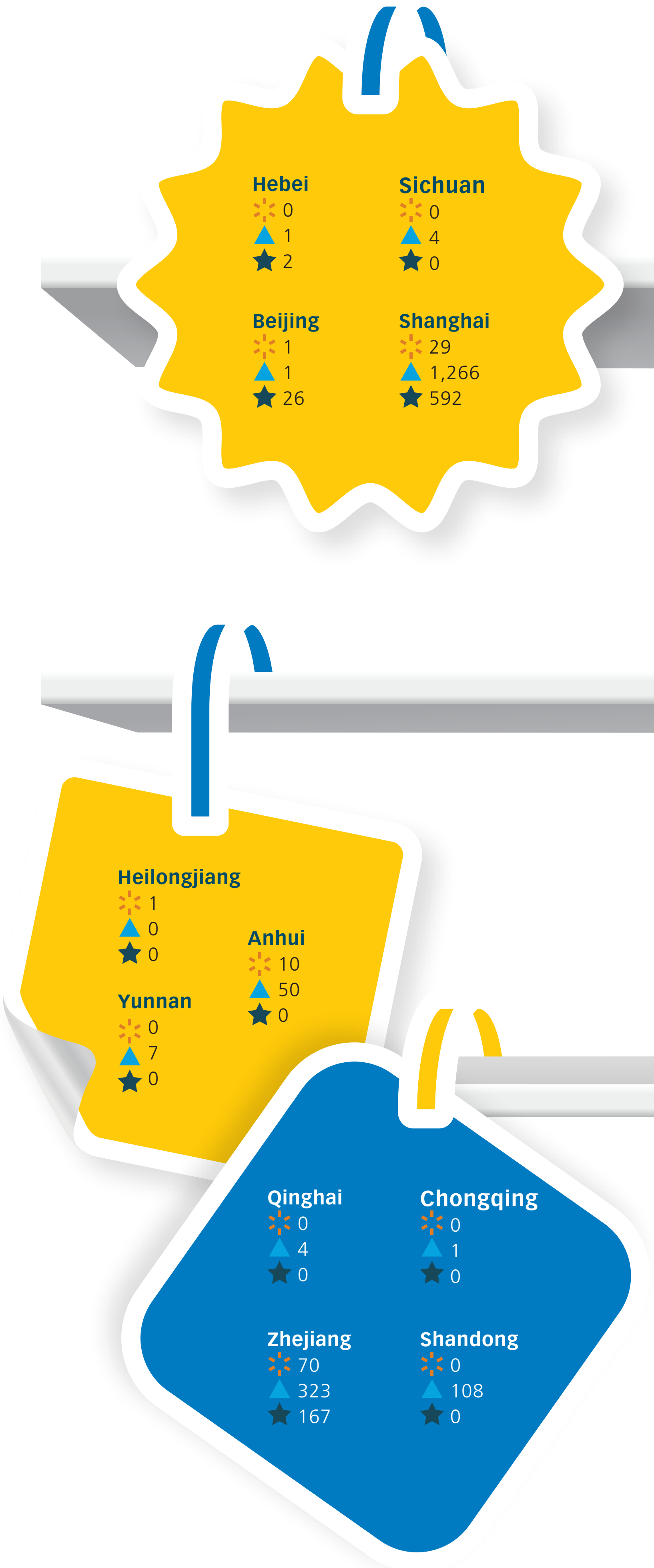
Annual Report 2021

Stock Code：0980

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 30 years, it has developed into a nationwide retail chain operator with a full range of retail segments, expanding through a combination of direct operation, franchises and merger and acquisitions. As at 31 December 2021, Lianhua Supermarket and its subsidiaries (the "Group") operated a total of 3,279 outlets (excluding those operated by the Company's associated companies) in 23 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 the first Chinese retail chain operator 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, catering for the diverse needs of consumers. These three segments expand 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 awarded as one of the China Outstanding Franchise Brands (中國優秀特許品牌) by the Franchise Committee of China Chain Store & Franchise Association.



Lianhua Supermarket operated a total of 3,279 outlets

	Hypermarket	Supermarket	Convenience Store
Henan	8	6	0
Liaoning	0	0	153
Guangdong	0	3	0
Guangxi	3	226	0
Hunan	0	20	0
Shanxi	0	1	0
Hainan	0	5	0
Hubei	0	1	0
Fujian	1	0	0
Jiangsu	17	151	1
Jiangxi	0	1	0
Gansu	0	19	0

Contents

Corporate Information

Directors

Executive Director

Mr. Xu Tao (Resigned on 23 April 2021)
Mr. Chong Xiao-bing

Non-executive Directors

Mr. Ye Yong-ming (Resigned on 12 November 2021)
Mr. Pu Shao-hua *(Chairman)*
Ms. Xu Zi-ying (Resigned on 12 November 2021)
Mr. Shi Xiao-long *(Vice Chairman)*
Mr. Xu Hong (Resigned on 28 March 2022)
Mr. Xu Pan-hua
Ms. Zhang Shen-yu
Mr. Dong Xiao-chun
Mr. Wong Tak Hung

Independent Non-executive Directors

Mr. Xia Da-wei
Mr. Lee Kwok Ming, Don
Mr. Chen Wei
Mr. Zhao Xin-sheng

Board Committees

Audit Committee

Mr. Lee Kwok Ming, Don *(Chairman)*
Mr. Xia Da-wei
Mr. Zhao Xin-sheng
Mr. Dong Xiao-chun

Remuneration and Appraisal Committee

Mr. Xia Da-wei *(Chairman)*
Ms. Xu Zi-ying (Resigned on 12 November 2021)
Mr. Shi Xiao-long
Mr. Chen Wei
Mr. Zhao Xin-sheng

Strategic Committee

Mr. Ye Yong-ming (Resigned on 12 November 2021)
Mr. Pu Shao-hua *(Chairman)*
Ms. Xu Zi-ying (Resigned on 12 November 2021)
Mr. Shi Xiao-long
Mr. Xu Hong (Resigned on 28 March 2022)
Mr. Xu Pan-hua
Mr. Xu Tao (Resigned on 23 April 2021)
Mr. Chong Xiao-bing
Ms. Zhang Shen-yu

Nomination Committee

Mr. Ye Yong-ming (Resigned on 12 November 2021)
Mr. Pu Shao-hua *(Chairman)*
Mr. Chen Wei
Mr. Xia Da-wei
Mr. Zhao Xin-sheng

Environmental、Social and Governance (ESG) Committee

Mr. Chong Xiao-bing *(Chairman)*
Ms. Zhang Shen-yu
Mr. Lee Kwok Ming, Don
Mr. Chen Wei

Supervisors

Mr. Yang A-guo (Resigned on 2 December 2021)
Mr. Li Feng *(Chairman)*
Ms. Tang Hao
Ms. Tian Ying-jie

Joint Company Secretaries

Ms. Xu Xiao-yi
Ms. Leung Shui Bing

Authorised Representatives

Mr. Xu Tao (Resigned on 23 April 2021)
Mr. Chong Xiao-bing
Ms. Xu Xiao-yi

International Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Legal Advisers to the Company

As to Hong Kong laws

Baker & McKenzie

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

Principal Place of Business in Hong Kong

16th Floor, Methodist Building,
36 Hennessy Road,
Wanchai,
Hong Kong

Telephone

86 (21) 5262 9922

Fax

86 (21) 5279 7976

Company Website

lianhua.todayir.com

Shareholder's Enquiries

Contact Information of the Company

Office of the Board
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

Stock Code

980

Number of H shares Issued

372,600,000 H shares

Year-end Date

31 December

Results Announcements

Interim Results for 2021 were published on 30 August 2021
Annual Results for 2021 were published on 28 March 2022

Dividends

Interim Dividends: Nil
Proposed Final Dividends: Nil

Major Achievements

January

1. The Company launched the corporate WeChat group for community business.

2. Hangzhou Lianhua Huashang Group Co., Ltd. ("Lianhua Huashang") was shortlisted for the first batch of List of Good Behavior Demonstration Enterprises of Commercial and Trade Circulation Standardisation in Zhejiang Province (浙江省商貿流通標準化良好行為示範企業名單).

February

1. A grand gathering to mark the nation's poverty alleviation accomplishments and honor model poverty fighters was held at the Great Hall of the People in Beijing. Zhou Jun (周君), the assistant to the general manager of Lianhua Huashang, received an award as an outstanding individual in national poverty alleviation.

2. Zhao Jia-ling (趙佳玲), a member of the Youth League Committee and Information Center of Lianhua Huashang, was awarded the honorary title of "Excellent Cadre of the Communist Youth League of Hangzhou in 2020" (2020年度杭州市優秀共青團幹部); Sun Fei (孫飛), the manager of Zhejiang Century Lianhua Logistics and Distribution Co., Ltd. (浙江世紀聯華物流配送有限公司) was awarded the "Contribution Award for High-Quality Development of Keqiao District in 2020" (2020年度柯橋區高質量發展貢獻獎) in Shaoxing City, Zhejiang Province.

March

1. Shanghai Lianhua Supermarket Development Co., Ltd. ("Lianhua Supermarket Development"), Shanghai Century Lianhua Supermarket Development Co., Ltd. ("Century Lianhua") and Hualian GMS Shopping Center Co., Ltd. were awarded the title of the Shanghai Civilized Unit (20th session) (第二十屆上海市文明單位).

2. Lianhua Huashang held the launching and protocol signing ceremony of Lianhua Huashang Business School in the logistic base in Yangxunqiao.

April

1. At the 2021 Linkshop Conference & Celebration of 20 Years of Retail in China (二零二一聯商網大會暨致敬中國零售二十年慶典), the Xinglanli store operated by Lianhua Whale-Choice of Lianhua Huashang was awarded the title of "Best Stores in China 2020" (2020年度中國好門店).

2. The Hong Kong Road store operated by Lianhua Supermarket (Jiangsu) Co., Ltd. ("Lianhua Jiangsu Company") was awarded the "May 1st Labor Award of Funing County" (阜寧縣五一勞動獎狀) by the Federation of Trade Unions of Funing County, Jiangsu Province; Guangxi Lianhua Supermarket Joint Stock Co., Ltd. ("Lianhua Guangxi Company") was awarded "May 1st Labor Award of Guangxi" (廣西五一勞動獎狀) by the Federation of Trade Unions of Guangxi Zhuang Autonomous Region; the Yichuan store operated by Century Lianhua was awarded the title of "2021 Shanghai Harmonious Labor Relations Standard Enterprise" (2021年度上海市和諧勞動關係達標企業) issued by Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局).

3. Wu Bin (吳斌) (the deputy store manager of the Bailian Central store of Century Lianhua was awarded the title of "Shanghai Youth May 4th Medal (individual)" (上海市五四青年獎個人) by Shanghai Municipal Committee of the Communist Youth League and Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局).

May

1. The group buying applet "Lianhua Group Buying" (聯華拼購) on community group of the Company got online. This is a brand-new business based on store community operation and maintenance, ordering online and picking up at stores.

2. The micro movie for the brand of the Company was released. The movie was surrounded with "whole-hearted" (用心) and "connection" (連接), which further elaborated Lianhua's brand mission "To offer better products, better experiences, and better living every day" (好商品、好體驗，構建人情好生活), and clearly showed everyone the brand-new image and brand positioning of Lianhua after brand revamp.

3. The Company's IP project "Light up Dream Dinner" (點亮夢想晚餐) was launched, which covered the Shanghai + Zhejiang areas.

4. Yuan Bi-yu (袁碧玉), the deputy manager of Fresh Commodities Procurement Center of Lianhua Huashang, was awarded the title of the 13th session of "The Most Beautiful Hangzhou People—Top Ten Rural Youth Leaders to Get Rich" (最美杭州人——十佳農村青年致富帶頭人) jointly selected by the Publicity Department of Municipal Committee (市委宣傳部), the Municipal Agriculture and Rural Affairs Bureau (市農業農村局), the Youth League Municipal Committee (團市委) and the Municipal Bureau of Forestry & Water Resources (市林水局) of Hangzhou City, Zhejiang Province, Hangzhou Daily Press Group (杭報集團), Hangzhou Culture, Radio and Television Group (杭州文廣集團), etc.

5. Du Xiao-li (杜曉麗) (the personnel section chief of Jinshan Shihua store of Century Lianhua) was awarded the honorary title of "Excellent Contact Person for Consumer Interests Protection in Jinshan District in 2020" (金山區2020年度消費者權益保護優秀聯絡員) by Shanghai Jinshan District Administration for Market Regulation.

June

1. The Company was awarded the Best Supply Chain Management Enterprise Award in the 5th China Retail Supply Chain and Logistics Summit 2021－Fresh · Food · Catering Section.

2. The Company was awarded the medal of "Shanghai-Kashgar Premium Consumption Support Special Zone and Special Counter－Shanghai Aiding Xinjiang" (滬喀優品消費幫扶專區專櫃——上海援疆) issued by the Administrative Office of Kashgar Prefecture, Xinjiang Uygur Autonomous Region, the Front Headquarters for Shanghai Counterpart Supporting to Xinjiang, the Xinjiang Office of Shanghai Municipal People's Government and the Shanghai Consumer Assistance Alliance.

3. The Party Committee of Lianhua Huashang was awarded the title of "Advanced Grass-roots Party Organisation in Hangzhou" (杭州市先進基層黨組織) granted by Hangzhou Municipal Committee of the Communist Party of China, Zhejiang Province.

4. The smart shopping cart project and the new product enabling system of Lianhua Huashang respectively won the 2020 Hangzhou Employees' "Five Small" (五小) Innovation Achievements awarded by the Hangzhou Federation of Trade Unions.

July

1. The Company was awarded the honorary medal of "Vice-President Unit of Shanghai Chain Operators Agreement" (上海連鎖經營者協議副會長單位) issued by Shanghai Chain Store & Franchise Association.

2. Lianhua Huashang Business School held the Ceremony of Establishment of the Expert Think Tank and Launching of Certificate Training Base of the Business Value Research Center of Industry-Financial Integration (hereinafter referred to as the "Research Center") at the Shaoxing base. Zuo Ren-gui (左仁貴) (the deputy director of the Education and Examination Center of MIIT), Li Wei (李偉) (the director of the Industrial Culture Development Center of MIIT) and a number of industry experts came to the scene.

3. The Olympic-themed exhibition "Support Zhejiang Hope Project, Cheer for Chinese Athletes" (支持浙江希望工程，為中國健兒加油) organised by Lianhua Huashang together with Coca-Cola opened at West Lake Cultural Plaza Whale-Choice Future Store of Lianhua Huashang.

August

1. The Jushang store of Lianhua Guangxi Company was awarded the honorary title of "2021 Guangxi Zhuang Autonomous Region Employees' Small Home" (2021年廣西壯族自治區職工小家) awarded by the Guangxi Zhuang Autonomous Region Federation of Trade Unions.

2. The Dantu store of Lianhua Jiangsu Company received a letter of commendation from the COVID-19 Prevention and Control Headquarters, Dantu District, Zhenjiang City, Jiangsu Province.

3. For Lianhua Guangxi Company, Wei Gui (韋貴) was awarded the honorary title of "2021 Liuzhou Trade Union Worker" (2021年柳州市工會工作者) awarded by Liuzhou Federation of Trade Unions of Guangxi Zhuang Autonomous Region, and Zheng Yuan-yuan (鄭媛媛) was awarded the honorary title of "2021 Liuzhou Excellent Trade Union Activist" (2021年柳州市優秀工會積極分子) awarded by Liuzhou Federation of Trade Unions, and Qin Wen-feng (覃文峰) was awarded the honorary title of "2021 Friend of Liuzhou Trade Union" (2021年柳州市工會之友) awarded by the Liuzhou Federation of Trade Unions.

September

1. The Company's "Lighting up Dream Dinner IP Project" (點亮夢想晚餐IP項目) won the "Best Experience Marketing Award" (最佳體驗營銷獎), the "Best Omni-channel Marketing Solution Award" (最佳全域營銷方案獎) and the "Popular Chain Award" (人氣連鎖獎) at the 2021 WRE (World Retail Elite) Marketing Innovation and Technology Summit.

2. The Yushan store of Lianhua Supermarket Development was redecorated and opened, representing the official opening of the first model store in the supermarket 2.0 model, setting a new benchmark for the transformation of the supermarket 2.0 model.

3. Lianhua Huashang entered into an equity merger and acquisition agreement with Zhuji Yibai Supermarket Co., Ltd.* (諸暨市一百超市有限公司)("Zhuji Yibai").

4. Lianhua Huashang ranked 319th on the list of "2021 China's Top 500 Service Enterprises" (2021中國服務業企業500強) compiled by the China Enterprise Confederation and the China Enterprise Directors Association.

October

1. At the award ceremony of the 4th Zhejiang Smart Chain and Brand Development Innovation Summit sponsored by Zhejiang Chain Management Association (浙江省連鎖經營協會) and directed by the Department of Commerce of Zhejiang Province, Lianhua Huashang was awarded the "2021 Private-label Brand Innovation Enterprises" (2021自有品牌創新企業) of Zhejiang chain industry, Lianhua Huashang's private-label brand "Excellence Offering" (優饗) was awarded the title of "2021 Excellent Private-label Brand" (2021優秀自有品牌) of Zhejiang chain industry, and Lianhua Huashang's franchised brands "聯華Lianhua" and "Quik" (快客) were awarded the title of "2021 Zhejiang Excellent Franchised Brand" (2021浙江省優秀特許品牌) of Zhejiang chain industry.

2. Yangzhou Jinghua store of Lianhua Jiangsu Company was awarded the banner of "Fight the Epidemic With One Heart, Convincingly Ensure Commodities Supply" (同心抗疫，保供有力) issued by the Living Material Security Organisation of Yangzhou Economic and Technological Development Zone, Jiangsu Province (江蘇省揚州市經濟技術開發區生活物資保障組).

3. As shown on the 2021 Top 100 Service Enterprises in Zhejiang (2021浙江省服務業百強企業排行榜) jointly published by the Enterprises United Association of Zhejiang Province (浙江省企業聯合會), the Entrepreneurs Association of Zhejiang Province (浙江省企業家協會) and the Zhejiang Federation of Industrial Economics (浙江省工業經濟聯合會), Lianhua Huashang successively listed on and ranked 32th among the "Top 100 Service Enterprises in Zhejiang" (浙江省服務業百強企業).

November

1. The Party Branch of Anhui Century Lianhua Development Co., Ltd. ("Lianhua Anhui Company") was honored the "Advanced Party Organization" (先進黨組織) for 2020 by the Organization Department of the Luyang District Committee of Hefei City, Anhui Province (安徽省合肥市廬陽區委組織部).

2. Lianhua Huashang was awarded the 2021-2022 Backbone Enterprises Ensuring Supply and Price Stability in Hangzhou Through "Vegetable Baskets" (2021-2022年度杭州市區「菜籃子」重點商品保供穩價骨幹企業) by Hangzhou Municipal Bureau of Commerce, Zhejiang Province.

3. Zhou Li (周蘑) and Huang Jie (黃捷) (the store manager of the Fuhai store and Longchang store, respectively, of Lianhua Supermarket Development) were selected as "2021 CCFA Gold Store Manager" (2021年度CCFA金牌店長) by China Chain Store & Franchise Association (中國連鎖經營協會); the Xingwu store of Lianhua Anhui Company was awarded the title of "Wuhu Food Contingency Supply Network" (蕪湖市糧食應急供應網點) by Wuhu Food and Strategic Reserves Administration of Anhui Province (安徽省蕪湖市糧食和物資儲備局); Lianhua Guangxi Company won the honorary title of "Advanced Group for Liuzhou "Ankang Cup" Competition in 2021" (2021年柳州市「安康杯」競賽先進集體) awarded by the Liuzhou Federation of Trade Union of Guangxi Zhuang Autonomous Region (廣西壯族自治區柳州市總工會); Qin Wen-feng (覃文峰) was awarded the honorary title of "Excellent Individual for Liuzhou "Ankang Cup" Competition in 2021" (2021年柳州市「安康杯」競賽優秀個人) awarded by the Liuzhou Federation of Trade Union.

December

1. The Company was awarded the "Golden Star Award"—Excellent Team Award and Excellent Product Award of the 5th Global Private-label Brand Products Asia Exhibition (第五屆全球自有品牌產品亞洲展「金星獎」—優秀團隊獎及優秀產品獎) by the Organizing Committee of the Global Private-label Brand Products Asia Exhibition (全球自有品牌產品亞洲展組委會).

2. Cai Jun-feng (蔡軍鋒) and Chen Lan (陳嵐) of Lianhua Supermarket Development won gold medals in the "Shanghai New Vocational Technical Skills Competition and the Shanghai Selection Competition for National New Vocational and Digital Technical Skills Competition" (「上海市新職業技術技能大賽暨全國新職業和數字技術技能大賽上海選拔賽」) hosted by the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局).

3. Lianhua Huashang undertook the contingency commodities supply works in Shangyu, Shaoxing for more than half a month, completed 7 contingency commodities supply works in total, and supplied over 260,000 protected commodities with 4,529 participants.

4. Lianhua Huashang was listed on the Top 100 Business Enterprises in Zhejiang (浙江省商貿百強企業) during the 13th Five-year Plan period officially announced by 12 provincial trade associations including Zhejiang Trade Association of Commerce (浙江省商貿業聯合會). Zhang Hui-qin, the Party Committee and chairman of Lianhua Huashang was honored as Outstanding Entrepreneurs in Trading and Logistics Industry in Zhejiang (浙江省商貿流通行業優秀企業家) during the 13th Five-year Plan period.


特价
49.90
精选
Best selection
19.90
零食与爱
Cookie
Langue
HAPPY SEASON SPRING


去旅行
鱿鱼卷


福聚虎运

Connection

Chairman's Statement

I am pleased to present the annual results of Lianhua Supermarket Holdings Co., Ltd. to all shareholders of the Company ("Shareholders") for the year ended 31 December 2021.

With year after year of the "epidemic", the COVID-19 pandemic was still raging around the world in 2021, and it continued to have a huge impact on major economies. As the world's largest consumer market, China, on the one hand, was affected by imported viruses to have the pandemic rebounded in some regions. On the other hand, as the pressure of international imported inflation increased, its economic development was facing triple pressures of demand contraction, supply shock and expectations weakening. In the post-epidemic stage, consumers are more inclined to go shopping online. At the same time, the decline in income has boosted the growth of "precautionary savings", making the recovery of consumer market less than expected.

The retail industry faced huge challenges from the market in 2021, leading to fiercer competition. On the one hand, the Group comprehensively promoted the whole-area sales, and improved consumers' perception of core categories, so as to realise growth in sales thereof. On the other hand, it promoted organisational reform, process reconstruction and digitalised operation, so as to strengthen cost control and improve operational efficiency. However, affected by sporadic outbreak of the epidemic and a decrease in the number of customers, traditional supermarket enterprises generally faced the dilemma of declining revenue and profits from their principal businesses, and the Group's performance also declined. In 2021, the Group recorded a turnover of approximately RMB24,760 million, representing a decrease of approximately 6.0% compared with last year. The loss for the year attributable to Shareholders of the Company was approximately RMB423 million, representing an increase in loss of approximately RMB103 million compared with last year. The loss per share amounted to approximately RMB0.38.

In 2021, against the challenges brought by the pandemic, China's retail industry has been self-improving, seeking changes, and accelerating transformation. As the first supermarket chain listed on the Stock Exchange, Lianhua has always adhered to the original intention of retail, guided by consumer demand, focused on the building of core capacities, and unswervingly deepened reform, innovation and transformation. The year 2021 also coincides with the 30th anniversary of Lianhua's inception. Upholding the principle of "Nothing but thirty, innovation & revolution", Lianhua has fared forth with full hearted commitment to push forward reform and innovation in concerted efforts.

Fighting the epidemic and disaster and ensuring supply to demonstrate the responsibility of state-owned enterprise

During the epidemic prevention and guarantee of supply in 2021, Lianhua, as a responsible state-owned enterprise, took prompt and meticulous actions to deliver Lianhua's love. It formulated and implemented guidelines for epidemic prevention and control and business guidance for different segments, and improved emergency plans. By improving and updating the same according to epidemic control requirements at each stage, Lianhua guaranteed the use of front-line epidemic prevention supplies, so that consumers can shop and consume at ease, reshaping human warmth behind the brand in the market. In the meantime, Lianhua advocates the spirit of great love. In July 2021, when the epidemic was raging in Nanjing, Lianhua Jiangsu Company made every effort to fight the epidemic and ensure supplies to Nanjing. In August 2021, for the flood disaster in Henan, Lianhua Henan Company actively donated money and goods to ensure the supply of materials. On 25 November 2021, during the closed-loop management of Shanghai Ruijin Hospital, the Company generously donated anti-epidemic materials; on 22 December 2021, when local confirmed cases were found in Shaoxing City, Lianhua Zhejiang Company rushed to assist Shaoxing through day and night, reproducing the "Lianhua Speed".

Serving people's livelihood to reshape brand image

In 2021, with the 30th anniversary theme running throughout the year for its S-grade marketing across the country, the Group coordinated internally and externally with distinct themes to launch multi-level large-scale activities, such as "Harvest 1 Yuan Purchase (豐收1元購)", "30th Anniversary Weibo Brand Coordination (30周年微博品牌聯動)", "May 5th Consumption Festival (五五消費節)", "Lighting up Dream Dinner (點亮夢想晚餐)" and other theme marketing activities. That has improved brand awareness and consumption experience, and made consumers like us more in the time of delivering wonderful goods and experience and building fantastic life. At the same time, Lianhua carried forward with seven-day unreasonable returns and five major commitments, established and implemented an operational standard system by conducting five-star store selection, promoting demonstration stores and regional model stores in an orderly manner. With the above, Lianhua allowed the provision of services throughout the shopping process of consumers, accelerated the improvement of store service image and strived to create the best retail business service brand. In 2021, Lianhua incorporated the development of its private-label brand into the corporate development strategy, and built a private-label brand hierarchy consisting of "Lianhua Quality" (聯華質造) and Lianhua "Excellence" (優系列). "Lianhua Quality" brand launched a series of 17 single product such as safe fresh eggs and facial tissue, which were well received by consumers.

Achieving key breakthroughs through transformation and development

Lianhua continued to deepen reform and explore and innovate business segments. In the expansion of segment and end model in 2021, Lianhua adhered to constant transformation, stereotyping and iteration, and improved the delivery timeliness and order fulfillment ability around the upgrade of delivery-to-home business operation. The Group promoted the construction and implementation of digital store system, realized digital operation, management and experience of the stores, built a new retail business ecology of "from offline to online, from online to offline". Lianhua improved online consumption scenarios, built up digital capabilities of the entire business chain and accelerated the development of omni-channel, better meeting the shopping needs of consumers. By the end of 2021, it has achieved full digital coverage of stores in Shanghai and pilot promotion in Jiangsu and Anhui provinces.

Achieving performance improvement through segment integration

In 2021, the Group further advanced the sorting, reorganisation and integration of convenience store segment by region. In particular, the Group completed the localised management of convenience stores in Zhejiang, enhanced store sorting and operating cost control in Dalian. In the meanwhile, it optimised the structure of headquarters, benchmarked with foreign brands, adjusted the product structure, innovated marketing activities and strengthened operation management, resulting in a significant reduction in losses in the convenience store segment.

Stepping forward solidly through organisational reform

Lianhua regards organisational reform as an important measure to deepen reform, from deepening the research on end model of store staffing, enriching the employment form, to actively building an organisational structure of business-focused frontline and empowering headquarters. In 2021, Lianhua continued to deepen the reform of contract-based mechanism, promoting the contractualization of performance targets for core positions, and advancing the performance review and talent selection for segment companies and functional departments, which accelerated the process of market-based recruitment and contract-based management. In 2020, through continuous concept promotion and training, talent echelon building and establishment of a follow-up and feedback mechanism, the sales, gross margin and gross profit of Lianhua's partnership stores showed an upward trend in both explicit and implicit KPIs. In view of this, Lianhua continued to fully

implement the store partnership scheme in 2021, with the number of partnership shops reaching 303 by the end of the year.

The extraordinary year 2021 has passed, but the global pandemic still has no end in sight and is on the verge of intensifying under the onslaught of Omicron. It is foreseeable that in 2022, economic downturn and inflation will be common problems for all countries in the world to face.

At present, the overall situation of epidemic prevention and control is stable in the PRC, and there is no change in the trend of sustained economic recovery and development, so do the factors that keep the economy running in a reasonable range, as well as the conditions for supporting high-quality development. China's economy is expected to achieve stability while making progress.

Looking forward to 2022, under the normalised epidemic prevention and control, Lianhua, as a warm enterprise over three decades, will make constant efforts in fighting epidemic and ensuring supply, and accompany consumers along the way to its promising growth in future.

In 2022, Lianhua will also focus on the strategic priorities of "segment integration and improvement, supply chain optimization, digital transformation + organization and incentive scheme" (3+1). It will, based in the Yangtze River Delta, leverage advantageous network resources in regions which are dominated by the two principal segments of supermarket and hypermarket to integrate national and regional complementary supply chain system, and thus to develop a whole-area sales network integrating online and offline sales, and build a new Lianhua for sustainable development. In 2022, we will achieve astonishing results with dedication and move forward through breakthroughs.

Finally, on behalf of the Board, I would like to extend my respect to our management team and all our employees for their efforts and contribution, as well as to express my heartfelt gratitude to our Shareholders and business partners for their continued support.

By order of the Board
Pu Shao-hua
Chairman

28 March 2022
Shanghai, the PRC

Fontana

Integrate

联华质造
具备沙门氏菌检测体系
蛋表清洗杀菌
产地鲜，全程可追溯
13.80
Fresh eggs
具备沙门氏菌检测体系
蛋表清洗杀菌

Five Years Financial Highlights

Unit: RMB'000 For the year ended 31 December	**2021**	2020	2019	2018	2017
Revenue	**24,759,659**	26,331,155	25,859,198	25,389,082	25,225,388
Hypermarkets	**13,580,446**	15,025,717	14,976,770	14,838,130	15,263,388
– Percentage to turnover (%)	**54.85**	57.06	57.92	58.44	60.51
Supermarkets	**9,407,111**	9,571,907	8,958,752	8,571,730	8,001,927
– Percentage to turnover (%)	**37.99**	36.35	34.64	33.76	31.72
Convenience stores	**1,500,828**	1,576,588	1,829,787	1,896,690	1,874,299
– Percentage to turnover (%)	**6.06**	5.99	7.08	7.47	7.43
Other businesses	**271,274**	156,943	93,889	82,532	85,774
– Percentage to turnover (%)	**1.10**	0.60	0.36	0.33	0.34
Gross profit	**3,061,729**	3,535,291	3,518,840	3,587,399	3,757,839
Gross profit margin (%)	**12.37**	13.43	13.61	14.13	14.90
Consolidated income margin (%) (Note 1)	**23.40**	24.59	24.97	24.98	26.54
Operating (loss) profit (Note 1)	**(316,961)**	49,569	(32,163)	68,532	110,807
Operating (loss) profit margin (%) (Note 1)	**(1.28)**	0.19	0.12	0.27	0.44
(Loss) profit attribute to shareholders of the Company	**(422,779)**	(319,286)	(378,301)	(218,724)	(282,760)
Comprehensive (loss) profit attributable to shareholders of the Company	**(422,779)**	(319,286)	(378,301)	(218,724)	(269,685)
Net (loss) profit margin (%) (Note 1)	**(1.71)**	(1.21)	(1.46)	(0.86)	(1.12)
(Losses) earnings per share (RMB)	**(0.38)**	(0.29)	(0.34)	(0.20)	(0.25)
Interim dividend per share (RMB) (Note 2)	**–**	–	–	–	–
Final dividend per share (RMB) (Note 2)	**–**	–	–	–	–

Unit: RMB'000 As at 31 December	**2021**	2020	2019	2018	2017
Net assets	**1,254,397**	1,755,094	2,046,506	2,459,926	2,488,833
Total assets	**22,829,926**	23,220,754	23,552,460	17,190,110	16,954,480
Total liabilities	**21,575,529**	21,465,660	21,505,954	14,730,184	14,465,647
Net cash flow	**183,180**	(188,263)	(462,561)	(916,407)	401,607
Average (loss) return on total assets (%)	**(1.84)**	(1.37)	(1.86)	(1.28)	(1.64)
Average (loss) return on net assets (%)	**(34.06)**	(19.80)	(19.26)	(10.06)	(12.15)
Gearing ratio (%) (Note 3)	**0.0**	0.0	0.0	0.00	0.01
Liquidity ratio (times)	**0.48**	0.44	0.65	0.78	0.73
Turnover of accounts payables (days)	**54**	59	60	62	62
Turnover of inventories (days)	**40**	39	38	37	41

Notes:

1. Consolidated income margin (%) = (Gross profit + Other revenues + Other income and other gains (losses))/Revenue
   Operating profit (loss) = Profit (loss) before tax—Share of profits of associates
   Operating profit (loss) margin (%) = (Profit (loss) before tax—Share of profits (loss) of associates)/Revenue
   Net (loss) profit margin (%) = (Loss) profit attribute to shareholders of the Company/Revenue

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 Board did not recommend the payment of the final dividend for the year ended 31 December 2021 at the Board meeting held on 28 March 2022.

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

Management Discussion and Analysis

Operating Environment

In 2021, the global pandemic and economic trends have become increasingly complex, and China's economic development has encountered multiple challenges such as the spread of the pandemic in many places, severe floods, a rapid rise in commodity prices and a tight supply of electricity and coal. Facing the downward pressure on the economy, China insisted on coordinating normalized and precise prevention and control of COVID-19 pandemic and economic and social development, so that its economy can recover continuously and stably. In 2021, China's gross domestic product (GDP) increased by 8.1% year on year.

In 2021, China's consumer market generally maintained a recovery trend with sufficient food supply in the market, and the residents' food consumption continued to grow steadily. According to data released by the National Bureau of Statistics of China, the total retail sales of consumer goods for the year increased by 12.5% over the previous year, but the basic trend of slow growth in consumer demand remained unchanged. In 2021, the Consumer Price Index (CPI) rose by 0.9%, representing a decrease of 1.6 percentage points from the previous year. Among them, food prices fell by 1.4 percentage points year on year, mainly due to the continued decline in pork prices. As pork is the main fresh product category of the Group, the decline in pork prices has a negative impact on the growth of store sales.

In 2021, with the normalization of COVID-19 pandemic prevention and control, consumers have gradually adapted to the shopping habits and consumption patterns brought about by the pandemic. In 2021, the national online retail sales amounted to RMB13.1 trillion, representing a year-on-year increase of 14.1%. The Group's online sales achieved a year-on-year increase of 24%, and the proportion of online sales further increased. However, the resurgence of pandemic in various places, the rapid development of various new online businesses, the impact of community group buying and the frequent occurrence of disastrous weather have reduced the number of offline store visitors and further intensified competition in the industry. Supermarkets, including the Group, are facing unprecedented challenges.

Financial Review

Revenue

During the period under review, the Group's revenue was approximately RMB24,760 million, representing a year-on-year decrease of approximately RMB1,571 million, or approximately 6.0%. In the post-epidemic period, affected by the repeated epidemics and the decline in offline customers, the competition in the retail industry intensified with a general decline in revenue. On the other hand, the Group sorted out, integrated and closed some stores due to relocation and losses in the past two years, which had a certain impact on the revenue. This year, the hypermarket segment was particularly affected by the epidemic and store closures. The revenue decreased from approximately RMB15,026 million in the same period of last year to approximately RMB13,580 million, representing a year-on-year decrease of approximately RMB1,446 million. Among them, Huashang Store, one of our key stores in Zhejiang, was closed and relocated due to the expiration of the lease in March 2021, reducing the revenue by approximately RMB600 million year-on-year.

Gross Profit

During the period under review, the Group's gross profit was approximately RMB3,062 million, representing a year-on-year decrease of approximately RMB473 million, or approximately 13.4%. Gross profit decreased mainly due to a year-on-year decline in sales, and due to the Company's increased efforts to boost sales, the gross profit of goods was further compressed. The overall gross profit margin of the Group during the year was approximately 12.37%, representing a decrease of approximately 1.06 percentage points as compared with the gross profit margin of 13.43% for the corresponding period of last year. In conjunction with increased promotions, the Company negotiated with suppliers to increase charges on promotional subsidy, and as a result, revenue from suppliers increased by approximately RMB42 million during the year as compared with the corresponding period of last year.

Other Revenue

During the period under review, the Group's other revenue was approximately RMB2,255 million, representing a year-on-year increase of approximately RMB85 million, or approximately 3.9%. During the same period in 2020, the Company's revenue from merchant solicitation was greatly affected by the withdrawal of tenants and the exemption of rent due to the epidemic. However, since the second half of 2020 when the epidemic was effectively alleviated, the Company's merchant solicitation rate has gradually increased, and the revenue from merchant solicitation during the year increased by approximately RMB51 million as compared with the corresponding period of last year. In addition, as a result of the increase in promotional activities, the Company's revenue from suppliers increased by approximately RMB42 million as compared with the corresponding period of last year.

Other Income and Other Gains and Losses

During the period under review, the Group's other income and other gains amounted to approximately RMB476 million, representing a year-on-year decrease of approximately RMB293 million, or approximately 38.1%, mainly due to the gain from the land acquisition and reserve in Caoyang Road of approximately RMB252 million in the corresponding period of last year.

Distribution and Selling Expenses

During the period under review, the Group's distribution and selling expenses amounted to approximately RMB4,842 million, representing a year-on-year decrease of approximately RMB20 million, or approximately 0.4%.

Administrative Expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB874 million, representing a year-on-year decrease of approximately RMB55 million, or approximately 5.9%. During the period under review, the Group strengthened the management and control of administrative expenses. Administrative expenses saw a year-on-year decrease after taking into account policies such as the reduction and exemption of social security expenses in the corresponding period of last year.

Other Expenses

During the period under review, the Group's other expenses amounted to approximately RMB108 million, representing a year-on-year decrease of approximately RMB230 million, or approximately 68.0%. During the year, the Group accrued a loss of RMB99 million for asset impairment due to the losses incurred by some stores. Other expenses in 2020 were mainly the loss from the integration of convenience stores and the loss from the closures of some hypermarkets.

Share of Profits of Associates

During the period under review, the Group's share of profits of associates amounted to approximately RMB43 million, representing a year-on-year increase of approximately RMB108 million. In the corresponding period of last year, the Group recognized an investment loss of approximately RMB127 million from Tianjin Yishang Friendship Holdings Co.,Ltd.

Loss before Taxation

During the period under review, the Group's loss before taxation amounted to approximately RMB274 million, representing a year-on-year increase of approximately RMB259 million in loss.

Income Tax

During the period under review, the Group's income tax expense was approximately RMB97 million, representing a year-on-year decrease of approximately RMB75 million, or approximately 43.5%.

Profit Attributable to Shareholder of the Company

During the period under review, the Group's loss attributable to shareholders of the Company amounted to approximately RMB422.779 million, representing a year-on-year increase of approximately RMB103.493 million, or approximately 32.4% in loss. Based on the 1,119.6 million shares issued by the Group, the basic loss per share was approximately RMB0.38.

Liquidity and Financial Resources

As at 31 December 2021, the Group's cash and balance at the bank amounted to approximately RMB6,751,426 thousand. During the period under review, the net outflow of cash and balance at the bank amounted to approximately RMB1,014,650 thousand, mainly due to investment cash outflows such as investment in wealth management products, payment for pre-purchase and construction of logistics base, mergers and acquisitions for Zhuji project and new store expansion.

For the year ended 31 December 2021, the accounts payable turnover period of the Group was 54 days, and the inventory turnover period was approximately 40 days.

During the period under review, the Group did not use any financial instrument for hedging purposes. As at 31 December 2021, there were no arbitrage financial instruments in issue by the Group.

Growth of Each Retail Business

Hypermarkets

During the period under review, due to the repeated epidemics and the decline in offline customer flow, the supermarket industry was greatly impacted, especially the hypermarket segment. On the other hand, due to the relocation and closure of Huashang Store, one of the key profitable stores in Zhejiang, the Group's revenue of hypermarkets decreased year on year. The hypermarket segment recorded a revenue of approximately RMB13,580 million, representing a decrease of approximately RMB1,446 million or approximately 9.6% year on year, and accounting for approximately 54.8% of the Group's revenue. Among them, the revenue of Huashang Store, which was relocated and closed due to lease expiration, decreased by approximately RMB611 million year on year. Same-store sales decreased by approximately 5.6%.

During the period under review, the hypermarket segment recorded a gross profit of approximately RMB1,667 million, representing a decrease of approximately RMB337 million year on year. Gross profit margin decreased by approximately 1.05 percentage points, mainly due to the further increase in sales promotion due to increased revenue pressure. The hypermarket segment recorded a consolidated income of approximately RMB3,423 million, representing a decrease of approximately RMB286 million year on year. The consolidated income margin increased by 0.53 percentage points year on year due to a year-on-year increase of RMB51 million in rental income from the leasing of shop premises and a year-on-year increase of RMB15 million in promotional subsidies from suppliers.

During the period under review, the hypermarket segment recorded an operating loss of approximately RMB147 million, representing a year-on-year decrease of approximately RMB266 million in profit, of which the closure of Huashang Store resulted in a year on year decrease in operating profit of RMB70 million. Operating profit margin decreased by 1.87 percentage points year on year to approximately –1.08%.

	As at 31 December	
	2021	2020
Gross Profit Margin (%)	**12.28**	13.33
Consolidated Income Margin (%)	**25.21**	24.68
Operating Profit Margin (%)	**–1.08**	0.79

Supermarkets

During the period under review, the Group's supermarket segment focused on transformation and upgrading, space reconstruction to enhance the shopping experience and the enrichment of the operation of categories to create a differentiated and distinctive community-based fresh produce shopping experience. However, due to the limited daily consumption channels of residents during the epidemic in the same period of last year, the business of the outlets experienced rapid growth. Due to the high base, the sales of the supermarket segment during the period under review decreased slightly year on year, but increased by 5.0% as compared with 2019. The supermarket segment of the Group recorded a revenue of approximately RMB9,407 million, representing a decrease of approximately RMB165 million or approximately 1.7% year on year, and accounting for approximately 38.0% of the Group's revenue. Same-store sales decreased by approximately 7.4%.

During the period under review, the supermarket segment recorded a gross profit of approximately RMB1,203 million, representing a year-on-year decrease of RMB107 million or 8.1%. Gross profit margin decreased by 0.89 percentage points year on year to 12.79%, mainly due to increased marketing efforts. The recorded consolidated income was approximately RMB2,040 million, representing a decrease of approximately RMB40 million year on year. The consolidated income margin decreased slightly by 0.05 percentage point year on year due to a year-on-year increase of RMB34 million in promotional subsidies received from suppliers.

During the period under review, the supermarket segment recorded an operating profit of approximately RMB51 million, representing a decrease of approximately RMB125 million year-on-year and an increase in profit of RMB88 million compared to 2019. The operating profit margin decreased by 1.28 percentage points to approximately 0.55%.

	As at 31 December	
	2021	2020
Gross Profit Margin (%)	**12.79**	13.68
Consolidated Income Margin (%)	**21.68**	21.73
Operating Profit Margin (%)	**0.55**	1.83

Convenience stores

Since 2020, guided by "streamlining structure, cutting costs and reducing loss faster", the convenience store segment has been accelerating the sorting and integration of loss-making outlets in various regions, as well as multi-dimensional control of operating costs. At the same time, the Group accelerated the integration of the supply chain and operational management of the convenience store segment and other segments in Zhejiang, improving the operational efficiency. During the period under review, the operating results of the convenience store segment improved significantly. The convenience store segment recorded a revenue of approximately RMB1,501 million, representing a decrease of approximately

4.8% year on year, and accounting for approximately 6.1% of the Group's revenue, mainly due to the closure of some loss-making stores during the integration. During the period under review, same-store sales increased significantly, with a year-on-year increase of approximately 48.3%.

During the period under review, the convenience store segment recorded a gross profit of approximately RMB176 million, and the gross profit margin decreased by 1.86 percentage points to approximately 11.72%. The recorded consolidated income was approximately RMB251 million, and the consolidated income margin decreased by 8.73 percentage points year on year to approximately 16.72%. This was mainly due to the fact that other income and other gains in the same period of last year included the gain from the land acquisition and reserve in Caoyang Road of approximately RMB73 million.

During the period under review, the distribution and selling expenses and administrative expenses of the convenience store segment totalled approximately RMB254 million, representing a year-on-year decrease of approximately RMB149 million. The operating loss of the convenience store segment was approximately RMB3 million, representing a year-on-year decrease of approximately RMB207 million in loss from the same period of last year, and the operating profit margin increased by 13.09 percentage points to approximately –0.22%.

	As at 31 December	
	2021	2020
Gross Profit Margin (%)	**11.72**	13.58
Consolidated Income Margin (%)	**16.72**	25.45
Operating Profit Margin (%)	**–0.22**	–13.31

Capital Structure

As at 31 December 2021, the Group's cash and cash equivalents were mainly held in Renminbi. The Group had no other bank borrowings.

During the period under review, the equity attributable to owners of the Group decreased from approximately RMB1,452,667 thousand to approximately RMB1,029,888 thousand, which was primarily attributable to the loss of approximately RMB422,779 thousand recorded in the period.

Details of the Group's Pledged Assets

As at 31 December 2021, the Group did not pledge any assets.

Foreign Exchange Risks

Most of the incomes 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 exchange rates. The Group neither entered into any agreements nor purchased any financial instruments to hedge its foreign exchange risk. The directors of the Company (the "Directors") believe that the Group is able to meet its foreign exchange demands.

Share Capital

As at 31 December 2021, the issued share capital of the Company was as follows:

Class of Shares Issued	Number of Shares	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

Development of Sales Network: Improvement of Whole-area Sales and Operation Capability

During the period under review, the Group maintained its network growth and scale advantages through business transformation, strategic adjustment and asset-light expansion. The Group steadily promoted the renewal of outlets and rent-reducing during the contract period, reduced costs and increased efficiency, and continued to maintain its advantages in scale. On the one hand, to optimize the strategic layout, it focused on core areas and core business segments, and enhanced its presence in the Yangtze River Delta region. In Shanghai, it emphasized exploring the suburban and Lingang, Chongming, as well as promoting the Chongming village-level store model. It also completed the capital injection and cooperation with Zhejiang Zhuji Yibai, which greatly perfected the network layout in Zhejiang. The Group launched strategic alliances and expanded network resources with the aim of opening up new growth areas. During the period under review, the Group opened a total of 336 new stores, including 70 new directly-operated stores and 266 new franchised stores. 252 stores were located in the Yangtze River Delta region and accounted for 75% of the new stores. On the other hand, the Group adapted to changes in the market environment, continued to prudently review the stores and improved the overall quality of the physical outlets. As a result, 249 stores were closed, including 54 directly-operated stores and 195 franchised stores.

Region	Segment	Newly opened stores during the period under review		Closed stores during the period under review	
		Number	Operating Area (m^2)	Number	Operating Area (m^2)
Greater East China	Hypermarkets	5	30,029.00	4	39,734.00
	Supermarkets	159	97,953.90	125	46,305.64
	Convenience Stores	96	5,391.71	70	3,790.15
North China	Supermarkets	0	0.00	5	970.00
	Convenience Stores	17	1,069.00	2	111.00
Northeast China	Convenience Stores	4	288.50	25	1,220.28
Central China	Hypermarkets	0	0.00	1	6,246.00
	Supermarkets	6	8,610.00	6	5,150.00
South China	Supermarket	26	4,862.57	11	3,494.63
Southwest China	Supermarket	8	23,370.00	0	0.00
Northwest China	Supermarket	15	25,550.00	0	0.00
Total		336	197,124.68	249	107,021.70

Note: Data as at 31 December 2021.

During the period under review, five new hypermarkets were opened, with four located in Zhejiang province and one located in Anhui province; and five hypermarkets were closed, with two located in Shanghai and one located in Zhejiang, Jiangsu and Henan provinces, respectively. For the hypermarket segment, we continued to improve the operational capabilities of our stores in terms of fresh produce, rationalized the distribution areas of fresh produce and increased the sales proportion of fresh produce. We introduced training programs on fresh produce to improve the self-operated ability in fresh produce and expand the proportion of self-operated fresh produce, and we also solidified new products and promoted the core products of online communities to meet the rapidly iterative consumer demands. We enhanced the delivery-to-home services by establishing online servicing groups, setting up an online fulfillment responsibility system for store managers, shortening the picking time for the delivery-to-home services and improving the fulfillment rate of own picking of products in the delivery-to-home services, so as to meet the "online" needs of consumers at different levels of business circles from shopping to receiving services. During the period under review, the 2.0 Community Life Center of Qiaoziwan Store in Shanghai opened after transformation. By greatly reducing slow-turnover categories of goods, strengthening merchant solicitation efforts, uplifting merchant solicitation income and lowering store operating costs, the store cost after the transformation has been greatly reduced with rising profits recorded. In a word, the transformation efforts paid off, and the operating capabilities and the delivery-to-home services have been improved.

During the period under review, the supermarket segment, as the core business segment of the Group, continued to promote outlet expansion and store transformation and efficiency enhancement. A total of 214 new supermarkets were opened, including 44 directly-operated stores and 170 franchised stores. 147 supermarkets were closed, including 23 directly-operated stores and 124 franchised stores. The number of stores recorded a net increase of 67. During the period under review, the supermarket segment accelerated the digitalization process and improved operational efficiency. We used hand-held terminals to replace all manual operations to support digital operation and management. We have improved the digitization module and optimized the scene workflow, and based on the digitalization project, we optimized the standardization process of daily operation to improve the quality of operation. We strengthened category management and promoted category-specific upgrades. In 2021, two stores in Shanghai of the supermarket segment, Tianlin store and Yushan store, were transformed as pilot stores. The two transformed stores have strengthened the modular management concept based on the original community fresh store model, and have improved the professional operation and servicing capabilities of various categories, introduced new products at room temperature and imported high-end commodities, prepared fresh categories and enriched the categories of ready-made cooked foods. They have realized brand renewal in all scenarios, standardized Lianhua's brand image, and considered POSM touchpoints according to consumers' shopping path. Digital means are applied to realize cloud-system architecture, multi-system integration and 70% of operation are upgraded to handheld mode. By adopting the "members + regular customers" promotion model, the stores simultaneously acquired new customers online and offline, achieving good transformation results. In terms of franchise business, on the one hand, through the network expansion, we have formed a variety of franchise types such as tight, semi-close and loose, and created three franchise store models, such as community stores, express stores and fresh produce stores; and on the other hand, we also built a refrigerated commodity supply chain system and constructed a refrigerated commodity delivery warehouse to meet the needs of franchise business expansion and accelerate the improvement of supply chain capabilities.

During the period under review, a total of 117 new convenience stores were opened, including 21 directly-operated stores and 96 franchised stores. 97 convenience stores were closed, including 26 directly-operated stores and 71 franchised stores. The number of stores recorded a net increase of 20. The convenience store segment strived to build a new brand image of stores and used information systems to help improve operations. We have increased the equipment and facilities in the stores, and constantly added popular elements, especially those popular among young people, in the stores to attract young consumer groups. We kept optimizing the core functions in the stores through transformation, and strengthened the fresh food function of the stores according to consumption scenarios such as breakfast, lunch, afternoon tea, dinner and late night snacks, with a view to reshaping the Quik convenience stores brand and consumer recognition and providing consumers with a safe, fashionable, comfortable and warm shopping environment.

During the period under review, the Group made every effort to promote omni-channel sales and group buying sales. In terms of omni-channel sales, we promoted omni-channel operation, omni-channel marketing, omni-channel category management and third-party strategic cooperation, facilitated the growth of the delivery-to-home business, and completed the full launch of the fulfillment tools in hypermarkets and supermarkets in Shanghai which have been gradually optimized and iterated. We accelerated the efficiency of member referrals through the simplification of new links and the promotion of "Benefiting All" packages, and comprehensively implemented the online compliance traffic-light system to further strengthen store compliance. We carried out S-class and A-class large-scale promotions and constantly advanced the promotional day for each category of goods, and we newly introduced the One-Dairy-Product-for-Every-Week Day and the One-Meal scenario, and launched the function of set meal. We have realized the online and offline integration of core products. We optimized the online and offline category structure by regularly acquiring TOP products from external channels and benchmarking competitors. We used the two major brands of fresh produce and daily necessities to take the lead in developing the consumption interest of users, and completed the planning of core products online in winter. We strived to attract traffic through Meituan, increased the sales volume in Jingdong Mall and propelled the progress of admission into Taoxianda, thereby promoting the quarterly integrated marketing schemes with third parties. During the period under review, the Group vigorously expedited group buying sales, established a group buying

organizational structure and streamlined the group buying business process, and it also re-determined the incentive policies for group buying and developed new sales models and new scenarios for group buying, achieving growth in both the number of group buying cooperative customers and group buying sales.

During the period under review, the Group focused on optimizing the deployment of merchant solicitation and enhancing the customer flow of stores. It reduced the vacancy rate, explored the potential rise in merchant solicitation, expanded the income of temporary shops, and implemented the accountability system for recovering rent arrears, resulting in improved performance in merchant solicitation. The Group reduced the proportion of large-department stores in tenants and strengthened convenience services, and it introduced categories such as catering and community facilities, increased the number of brand merchants with their own customer flow and market resistance and developed chain merchants, realizing the exchange of resources between stores and stimulating the flow of customers in stores.

As at 31 December 2021, the Group had 3,279 stores in total, representing a net increase of 87 stores compared with the end of 2020. Approximately 84.90% of the Group's stores were located in Greater East China.

	Hypermarkets	Supermarkets	Convenience Stores	Total
Direct operation	140	739	334	1,213
Franchise operation	–	1,459	607	2,066
Total	140	2,198	941	3,279

Note: Data as at 31 December 2021.

Supply Chain Construction and Product Power Enhancement

During the period under review, the Group focused on category optimization, supplier optimization, improvement in consolidated income and implementation of trade plans. The Group implemented a hypermarket category solidification plan, accelerated the upgrade and replacement of items and the development of new products, so as to upgrade the consumption of items to the mid-to-high end and continuously optimize categories. The Group optimized the approaches of branding activities as well as stocking of large single products to home activities. It combined supplier's third-party platform activities to strengthen negotiations with suppliers and determine a pricing strategy. The Group strengthened national supply chain collaboration, actively developed new supply chains, and refined suppliers' overall sales action plans through supplier structure analysis and replacement, continuously optimizing suppliers. The Group conducted periodic market research on sensitive and non-sensitive commodities to determine a clearer pricing strategy. It conducted comprehensive supplier evaluations, provided clearer investment on promotional products and urged suppliers to settle the balance to the account in a timely manner, continuously improving its consolidated income. The Group carried out more marketing activities to increase the stickiness of consumers, and focused on major categories and items in online and offline promotions. It determined the level of marketing activities and investment methods, and innovated and changed the way of membership activities. The Group increased the frequency of community group purchase and item promotion, developed group purchase commodities for large customers and promoted the implementation of trade plans.

During the period under review, the Group focused on promoting the TBFF (To Be Famous For) category development strategy and strengthening the development of fresh produce, imported and private-label brand categories. The Group cultivated direct source from bases for fresh produce category by launching the first batch of in-depth direct source from "four major bases", including Chongming eco-commodities in Shanghai, vegetables in Shandong, tropical crops in Hainan and coarse grains in Northeast China. The Group initiated nationwide joint and centralized sourcing to unify procurement specifications and product codes and share procurement channels and supply chains. It implemented the JBP strategic partnership, the first batch of 10 national fresh produce suppliers were introduced and national joint procurement contracts were signed, which integrated the advantageous resources of both parties, co-branded and customized exclusive products to create exclusive marketing strategy support. The Group paid close attention to the expansion of imported commodity category, vigorously introducing new products, and improved the commodity structure. For private-label brands, based on its clear development path and positioning planning, the Group launched a series of excellent brands – "Excellence Offering" (優饗), "Tasy" (她樹), "Quality Life" (優品生活), and under the guidance of "Lianhua Quality" (聯華質造), promoted new product sales to realize brand value.

During the period under review, the Group accelerated the pace of introduction of new products and promoted the implementation of category solidification and category optimization and extension. It adjusted the mode of introduction of new products, optimized close-loop new product introduction and enhanced shops' operation capability of new products. The Group accelerated the introduction of new products in the daily necessities and leisure categories, as well as new products targeting at the online community, and established the cooperation model for product debut and live streaming to create new product trends, by collaborating with suppliers and launching manufacturer week activities. The Group guided the online classification of new products and promoted the whole-area marketing of new products. It promoted the implementation of category solidification in supermarkets and hypermarkets to improve the availability of commodities in the solidified categories. The Group took mitigating measures for abnormal inventory data and continuously optimized inventory days and core commodities. The Group implemented commodity allocation management and store display guidelines, completing automatic replenishment on a trial basis; focused on the combination of headquarters distribution and independent replenishment to achieve category optimization and extension.

Improvement of Consumer Experience and Marketing Capability

During the period under review, the Group deepened the brand revamp and its implementation in stores. From the perspective of consumers, it improved the branding store visualization, and based on the brand visualization strategy and operational requirements, the Group continued to develop the brand building management system and improved the brand image system. Such systems were applied to all dimensions of the brand revamp to enhance the brand penetration experience, further bringing a new shopping experience to consumers. In 2021, the Group collected information on the retail industry in different regions across the country to create a nationwide, systematic and unified brand image, completing the nationwide brand revamp for a total of 178 supermarkets and 38 hypermarkets.

During the period under review, the Group's S-grade marketing campaign realized a unified visual style across the country, with the 30th anniversary theme running throughout the year. Combined with the brand positioning and core design elements, a happy family of six and Lianhua's grassroots staff were set as characters to complete the main visual presentation of S-grade marketing and the promotion of brand communication. The Group strengthened external communication via the scenario insight and creation and through cross-industry collaboration with 31 brands such as Weibo, with the 30th anniversary theme running throughout the year, launched a number of large-scale campaigns such as Lighting up Dream Dinner and Lianhua Select Live Streaming Channel (聯華好物直播間) with clear themes. That have expanded the effect of product advertising and marketing and promotion, strengthened consumers' awareness of the Lianhua brand and enhanced consumer stickiness.

During the period under review, the Group developed a we-media ecosystem and accumulated Lianhua's traffic in private domain, such community marketing activities contributed to its performance growth. The Group sought multiple opportunities to reach consumers, optimized WeChat public account, mini-

program, and video account live streaming etc., to provide more tools and possibilities for membership promotion. Combined with the WeChat ecosystem, the Group created effective touchpoints by scenarios and population groups, successfully attracting consumers and increasing the source for new members. In 2021, the Group placed advertisement on WeChat Moments for the first time, and the overall click-through rate and ROI were higher than the industry average. In 2021, Lianhua enterprise WeChat community and the Lianhua group buying mini-program were newly launched, vigorously developing community marketing, and thus contributing to performance growth. In 2021, the Group continued to strengthen construction of the membership system and flow operation, opened up external flow entrances, optimized the rights and interests of new members and strengthened the operation of new members, so as to continue to attract customers and promote member referral. The Group strengthened membership repurchase operation, transforming membership operation from "operational activities" to "operators" and developed more digital marketing tools to divert traffic in mutual ways between online and offline shops.

Cost Control and Efficiency Improvement

During the period under review, the Group promoted operational efficiency through SOP (Standard Operation Procedure) reshaping, service enhancement, three drivers (training empowerment, skills competition and evaluation system) and digitalised operation. With the focus on reshaping SOPs for sales methods such as delivery to home, fresh produce and community/group buying, based on the three main directions of "priority in procurement, sales and inventory", "solving practical problems in stores" and "facilitating practical operations at the frontline", the Group sorted out the SOPs and built the system from the fundamental aspects of procurement, sales and inventory of stores, consumers' perception and customer interaction, so as to continuously improve and solidify the standard system and service system and strengthen store execution. In terms of basic services, business promotion and staff care, the Group established a regular service system at the consumers' perception level to create a "warm Lianhua" integrating with consumers' perception, with online-offline experience and scenarios, and with business promotion. At the same time, the digital system was optimised, which drove the organisational reform of the digital store structure, and minimized the use of PC and manual work to the most extent to enhance labour efficiency. In combination with the digital system, the Group updated and simplified the workflow while strengthening red-line control, and replaced manual tracking and control with system to the greatest extent to promote the optimisation of workflow. Through the design of clear and apparent exception spectaculars, the control system was reconstructed for the headquarters and stores, and the report tracking system was optimised for the exception control units of stores by virtue of exception spectaculars.

During the period under review, the Group continued to improve the efficiency and service support of logistics warehousing and distribution, and vigorously expanded the third-party operation business. The Group implemented a tracking mechanism for suppliers' fulfillment rate to improve the satisfaction rate of core products and continuously enhance the efficiency of warehousing and distribution; collaborated with procurement to determine the product types to be warehoused and steadily advanced the transition from direct delivery to distribution; increased the double "30" inventory co-ordination and processing mechanism to deal with slow-moving inventory and constantly reduce inventory turnover days. The Group cooperated with third parties to develop central warehouse and cloud warehousing services, expanded VMI (Vendor Managed Inventory) and Lianhua cloud warehouse business, promoted cold storage leasing business, and vigorously expanded the third-party operation business. The Group enhanced distribution services, increased dissembling items in line with the transformation of business segments and according to the needs of stores, accelerated the distribution time and response speed, and improved the supporting efficiency for business segments. The Group investigated and promoted the trial operation of inter-district warehouses and trunk line logistics by business segments, launched the community group buying business, optimised the overall operation process and built a new retail logistics system.

During the period under review, the Group optimised its staffing and staff structure, increased flexible employment and optimised the employment mode. Through reform in the structure of digital stores and organisational structure, the Group updated and simplified the workflow, replaced manual tracking and control with a digitally driven system to the greatest extent, and combined with store resource

consolidation to enhance labour efficiency. During the period under review, the Group made significant progress in cost control through labour optimization and store resource consolidation, with total annual expenses, particularly labour costs, fixed costs and repair costs, decreasing year-on-year.

Process Reconstruction and Strong Execution Guarantee

During the period under review, the Group streamlined current existing systems and promoted the optimisation of business processes. The communication channel was established mainly for the internal management staff of each department, forming a counterpart relationship between the "system management department of the headquarters – departments and offices of the headquarters and member companies". The Group improved the quarterly joint meeting mechanism and operation method for system management to effectively ensure smooth information flow and connection between the top and bottom. The training department carried out online and offline promotional work, and organised various forms of training such as subject learning, knowledge competitions and special examinations to enhance management standards and skills. The Group improved the supporting operation processes for digital projects, added and revised the operation-end processes, unified version 1.0 of the SOP standard manual, prepared and piloted the key business processes of "operation – procurement – distribution – sales" by adhering to the requirement of "emergency first". The Group collated the existing operation process materials, formed a basic process catalogue and initiated the formulation of the operation process management specifications.

Employment, Training and Development

As at 31 December 2021, the Group had a total of 27,780 employees, representing a decrease of 3,588 employees during the period under review. Total employment expenses amounted to approximately RMB2,421.47 million.

During the period under review, the Group further integrated the overall organisational structure of the headquarters, continued to focus on operations, optimised internal core business processes and continuously improved operation and management efficiency. The Group established a new department, the Marketing Centre, and set up a new department, the Project Group for Process Optimization, added financial support and management functions, merged QC, the secondary function of the Department of Fresh Produce Procurement, into Lianhua Logistics, transferred the system construction function of the Department of Safety and Quality to the Project Group for Process Optimization, and adjusted the ranking correspondence between the management members of the segment companies and the joint stock company. The Group strengthened the construction of the core team of the management, boldly cultivated and appointed young cadres, and actively promoted the process of rejuvenating the cadres of the Company. The Group optimised its staffing to create a service-oriented and high-performing headquarters. With the help of technological innovations such as digital stores and electronic price tags, the Group optimised front-line processes, streamlined operations and continuously improved the operation efficiency of stores. At the same time, the Group innovated the staffing model for hypermarket and supermarket, and increased flexible employment and hourly scheduling to achieve the goal of improving labour efficiency and reducing labour costs.

During the period under review, the Group steadily promoted the contract-based management of core positions, and carried out dynamic staff adjustments to achieve the goal of competent staff to take up the positions. The Group continuously optimised the excessive performance incentive system and fully implemented the excessive performance incentives to create and share value, and achieve a win-win situation. The Group optimised the remuneration management system for frontline staff in stores, continuously iterated and deepened the partnership mechanism, strengthened the ability to open up new sources of income, increased the coverage to maintain cost-saving capabilities and achieve performance improvement. The remuneration assessment and incentive system was optimised for staff in stores to improve the income of frontline staff. The Group further advanced the business model transition, steadily promoted the implementation of strategic projects, set up a special assessment scheme for key areas of the Company, and motivated management members to share the responsibility and jointly contribute to breakthroughs.

During the period under review, the Group continued to improve and enrich its talent cultivation methods to build a talent echelon system that meets strategic needs. The Group improved its talent cultivation and reserve plan, and created a series of leadership development programmes for Eagle, forming a spiral upward path of "growing, promoting, empowering, excelling and developing". The Group focused on new retail and special digital skills, store partners, store managers, management trainees and high potential talents to create a team of talents who own good operational and management skills and can quickly improve their ability to perform their duties.

Digital Intelligence and System Driven

During the period under review, the Group completed the full coverage of digital stores in Shanghai and pilot sites in other regions, and continued to advance the process of system integration. The Group continued to promote the process of digital and intelligent construction and system optimisation, and fully deployed the system integration of operation, procurement, sales, distribution and finance. Digital stores achieved full coverage in Shanghai, and the digital and intelligent construction of stores in other regions was gradually piloted and rolled out. The digital and intelligent system was revamped and optimised in three areas, namely improving customer experience, enhancing execution efficiency and improving store management efficiency, so as to enhance the digitalised operation capability and efficiency of stores. Through the integration of software and hardware technology, the Group solved the structural and operational problems of stores, and realized the conversion of CS structure to cloud structure to ensure the real-time and accuracy of data. The Group upgraded and replaced the digital and intelligent terminal technology and equipment, and the integrated front-end system of stores became simple and efficient, significantly improving the execution efficiency and labour efficiency of

stores. The Group promoted the integration of the main business system of the digital supply chain, clarified the objectives and functions of the new system, integrated the logistics system in Jiangqiao, collaborated with the integration of the replenishment system and the integration of the financial support system, and comprehensively improved the digital intelligence of the supply chain. The Group completed the data connection of BI (business intelligence) project, optimised and improved the construction of franchise reporting, consolidated statement of gross profit performance and supply chain reporting systems, completed the partner store performance reporting system and completed the digital store reporting system, gradually completing the transformation to a data-driven organisation.

During the period under review, the Group achieved controllable production safety procedures, strengthened food safety management, and continued to optimise the construction of quality management process and system. The Group strengthened production safety and food safety inspection, eliminated potential safety hazards and implemented supervision and rectification, optimised the food safety and product quality systems and processes in the headquarters, and continued to improve and optimise the construction of quality systems.

Principal Risks

The Group's business, financial condition, operating results and prospects may be subject to risks and uncertainties related to the Group's business. The Group incorporates its risk management procedures into the formulation of strategies, business planning, investment decision-making, internal control and day-to-day operation management. The principal risks encountered by the Group and the mitigating measures are as follows:

Operational risk

As a result of the resurgence of the epidemic, citizens' travel habits and shopping habits have changed, resulting in a reduction of the in-store consumption, which jointly posed great challenges to physical stores. On top of that, the downward pressure on the economy has increased and consumers now have less intention to make purchase. At the same time, due to the weak supply chain, slow introduction of new products, few new categories actively launched and poor fresh produce operations, it is difficult to increase the consolidated income margin. All of these subject the Group's operations to greater challenges.

Mitigating measures

The Group accelerates the transformation of stores and supermarkets, improves the standardization system, upgrades and converts members, optimises product categories, and strengthens cost control. It improves fresh-keeping capabilities and strengthens home-delivery services; promotes close franchise development and iterative upgrades; optimises the new product management process and establishes a compulsory commodity elimination system. The Group promotes commodity upgrading, re-clarifies the development principles of own-brand items, reflecting the advantage of performance-to-price ratio; expands the direct supply model of brands, optimises the direct purchasing import model, and constantly tries the industry joint procurement and base price goods supply mode and the bidding procurement mode of the livelihood items. The Group pays attention to new products and high-yield products, continues to negotiate the purchase price of sensitive products, and arranges special personnel to track the difference in promotional activities to improve the overall yield rate.

Risk related to the development of network

As for development of new network, the Group expects to experience a relatively long period for the market incubation, which is subject to potential risks in new business expansion and recording operating profit from the stores at initial stages. Besides, the overall impacts, from the changing market conditions, diversified channels and competition as well as increasing cost in operating physical stores, are increasingly material, which subjects the Group to the risk of having difficulties in selecting new sites and delayed development of network.

For the existing stores, the Group is faced with the increasing rental cost for the stores located alongside streets, and the rising proportion of rental cost in total costs leads to the risk of further compression of profit margin. Besides, due to the operating performance of the new store falling short of expectations, and the sharp rise in rent after the lease of the store expired, the uncertainty of the lease renewal of the store has been increased.

Mitigating measures

The Group will pay close attention to large-scale residential communities, community neighborhood centers and regional centers to achieve the community-centralized development of supermarkets, focusing on promoting the development in five new towns in Shanghai, the Lingang New Area, and Chongming District, and at the same time accelerating the development of an intensive franchise system.

For the lease renewal of existing stores, the Group will give priority to renewal of leases, deepen the reduction of rents, and lengthen the lease renewal period, so as to improve the stability of store operations and reduce the closing rate.

Risk related to merchant solicitation

Due to the repeated epidemics and the implementation of the double reduction policy, the stores are facing severe challenges such as the withdrawal of merchants and the increase in the vacancy rate.

Mitigating measures

The Group will determine the investment promotion positioning, optimise the layout, continue to promote the transformation of one store and one strategy. It will increase the proportion of branding, increase the proportion of catering snacks and leisure and entertainment formats in investment promotion, thus reducing the vacant rate of shops, and expanding investment incomes.

Risk related to employees

The Group is faced with difficulties such as large headquarters organization, but lack of efficiency, old cadres, lack of innovative consciousness and vitality, disunity of salary structure, lack of management ability of store partners, and so on. There is a certain gap between the incentive mechanism and the expected results, which affects the enthusiasm of employees to a certain extent.

Mitigating measures

The Group will continuously promote the integrated organization and establishment of headquarters, optimize the employment mode of storefront and strengthen contract management, and optimize the core business process through organizing and integrating, rearranging, focusing on operation. The Group will increase the experience of rotation, improving the comprehensive ability of cadres; optimize store organization and staffing model to improve human efficiency. It will implement contractualization for core posts, further optimize the performance excess incentive system, and optimize the salary management system of front-line employees in stores. The Group will deepen the iteration of partner rights, responsibilities and interests model, accelerate the promotion of fresh partner system and other ways to improve the enthusiasm of employees.

Risk related to system integration

The system application architecture is decentralized, complex with low integration. The technical framework of the system is backward, the degree of data sharing is poor, and there are system barriers among businesses of departments. The decentralized system architecture is poor in the efficiency of data

transmission and synchronous real-time performance, and the degree of real-time data visualization is low. The existing hardware equipment cannot meet the development, business iteration and rapid deployment of innovative applications.

Mitigating measures

Relying on the digital transformation project of Lianhua, the digital top-level design and key paths are determined, that is overall planning of the overall architecture, promoting infrastructure cloud, deepening business data governance and collaborative business ecological construction. The Group will establish quick win and core projects to ensure the sustained and stable implementation of projects.

Compliance risk management

The corporate compliance group of the Group, in conjunction with the Group's legal advisor, regularly reviews the Group's compliance with relevant laws and regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), information disclosure requirements and the Group's standards of compliance practices.

Strategy and Planning

In 2022, China's macroeconomic policy will continue to "focus on stability while seeking progress". Amid normalized epidemic, China's prevention and control measures are in a leading position in the world, and the people's production and living order has remained generally stable, laying the foundation for sustained economic development and overall social stability. The Group believes that the trend of China 's sustained economic recovery and development will not change, and the key economic metrics will remain in a reasonable range, supporting high-quality development of industries. The good development situation has played a supporting role in economic stability and promoted the confidence of enterprises in the future Chinese economy. In 2022, the Chinese government will advocate a simple and moderate, green and low-carbon lifestyle, to enhance people's awareness of economy while continuing to promote domestic consumption. The cultural and tourism consumption market will stimulate new vitality, and diversified consumption scenarios in the field of consumption will further promote the recovery of the consumer market and industrial recovery, making the economic growth more healthy and stable. Overall, China's trend of maintaining medium- and high-speed economic growth will not change.

To this end, in 2022, the Group will "sharpen fusion and break the ice", adhere to business format integration, supply chain layout optimization, digital intelligence transformation and organizational incentive plan, ensure good development and investment promotion, actively improve logistics and commodity efficiency, improve consumers' experience and marketing power, comprehensively manage budgets and expenses, and ensure process rebuilding and strong implementation. In the Yangtze River Delta, with the two main formats of standard supermarkets and hypermarkets occupying the regional advantageous network resources, the Group will integrate the national and regional complementary and interactive supply chain system, and realize the integrated online and offline global sales network.

In 2022, the Group will strategically focus on the integration and upgrading of business formats, improve store building standards, formulate transformation mechanisms, and accelerate the implementation of measures for the transformation of large-scale comprehensive supermarket formats and supermarket formats. The Group will strengthen the operation capacity of supermarkets, promote the development of compact franchise outlets, and reduce losses and increase profits of convenient formats. It will further build core categories, expand multiple cooperation with third parties, drive traffic from multiple channels, integrate store and warehouse, and promote the development of all channels. The Group also simultaneously optimize the organization process of group purchase, expand the card and coupon sales channels and models to improve the overall sales.

In 2022, the Group will strategically take the optimization of supply chain layout as a priority, focus on the optimization of categories and suppliers, and promote the comprehensive income improvement plan and trade plan. All business segments will pay great attention to the sales promotion of new products and high-yield product categories, establish a compulsory commodity elimination system through the new product management process, and vigorously develop differentiated commodities with purchase price advantages and product selling point advantages, so as to maximize performance output and improve comprehensive income. The Group will optimize the national linkage of JBP suppliers, break through the supply chain mode, expand the brand direct supply mode, optimize the import direct purchase mode, and constantly try the industry joint purchase and base price supply mode and the bidding purchase mode of single product for people's livelihood. The Group will arrange the annual marketing plan well for JBP suppliers, promote brand carnival activities, improve the quality of product selection, improve the efficiency of product promotion, synchronize online and offline commodity activities, and improve and achieve sales targets. The Group will continue to optimize the fresh food supply chain, enhance its self-operation and marketing capabilities, and accelerate the development of its own brands. The Group will open up the fresh value chain, dig deep into category resources, introduce head suppliers of each category, develop direct procurement from the source of the base, concentrate strength for joint procurement, improve logistics service efficiency and promote quality fresh food. The Group will create a rich image of imported categories and promote its own brand category planning and brand renewal. The Group will continuously expand the proportion of direct purchase of imported products, develop a diversified supply chain, try the joint purchase mode with importers, quickly find the best-selling and online popular goods in the market, and create a rich image of imported goods. Through external platforms and home sales, the Group will expand new marketing methods, promote new and popular products, attract young consumers and drives sales promotion. The Group will accelerate the development of our own brand, promote the category planning of our own brand, clarify quality standards, standardize the brand system, improve brand building, establish clear product values, and highlight the corporate image.

In 2022, the Group will strategically focus on digital transformation, formulate Lianhua's digital transformation strategy and method, implement executable digital solutions, establish quick wins and core projects, reduce costs and increase efficiency internally, and improve user experience and customer value externally, to realize the overall value improvement of Lianhua. And the Group will continue to optimize and iterate the digital system functions of the core business, improve the digital SOP, further

release the store personnel efficiency, and increase the dividend. The Group will continue to promote the digitization of the whole process of the supply chain to facilitate an efficient supply chain, clarify the integrated integration and digital transformation system plan of the logistic bases in Jiangqiao to achieve smooth semi-automatic management and control of business processes. The Group will optimize the big data platform, build a layered system, and promote the digital empowerment and enhancement of the integration of industry and finance. It will check and diagnose Lianhua's existing infrastructure, make feasibility study and path design, formulate infrastructure cloud implementation plan, and build Lianhua's digital transformation base by using mature cloud services to support the application scenario of Lianhua's digital intelligent transformation.

Major Investments

On 26 September 2021, Hangzhou Lianhua Huashang Group Co., Ltd. ("Lianhua Huashang"), a subsidiary of the Company in which the Company holds 74.19% equity interests, and Zhuji Yibai Supermarket Co., Ltd. ("Yibai Supermarket") entered into the Equity Transfer Agreement pursuant to which Lianhua Huashang agreed to acquire and Yibai Supermarket agreed to sell 60% of the equity interest in Zhejiang Bailian Supermarket Co., Ltd. ("Bailian Supermarket") at a consideration of RMB180,000,000 (the "Acquisition"). Upon completion of the Acquisition, Lianhua Huashang will hold 60% equity interests in Bailian Supermarket. Accordingly, Bailian Supermarket will become a subsidiary of the Company, and its financial results will be consolidated into that of the Group.

One or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules exceeds 5% but is less than 25% and therefore the Acquisition constitutes a discloseable transaction for the Company.

Lianhua Huashang is a well-known local retail chain operator in Zhejiang Province, and intends to accelerate its development through extensional expansion; while Yibai Supermarket is a well-known retail chain operator in Zhuji City, Zhejiang Province ("Zhuji") with strong strength, various retail outlets and a high market share in Zhuji. Entering into the Equity Transfer Agreement is conducive for Lianhua Huashang to increase its market share in Zhuji with the help of the good visibility and reputation of Yibai Supermarket in Zhuji and is also conducive to the strategic layout of Lianhua Huashang in the Zhuji market for gradually forming effect of region connection, strengthening regional market and enhancing business competitiveness.

Please refer to the announcement of the Company dated 26 September 2021 for details.

Environmental Policy, and Performance and Compliance of Laws and Regulations

Details of the environmental policy and performance of the Group in 2021 are set out in the Environmental, Social and Governance Report on page 237 to page 304 of the annual report.

The Group strives to comply in all material respects with the relevant laws and regulations which are regarded as having a significant impact on the Group, and did not encounter material breach or non-compliance during the period under review.

Subsequent Events

From 1 January 2022 to the date of the annual report, there was no non-financial event that may cause material effects on the results of the Company required to be disclosed.


世纪联华 CenturyMart


十而已 创新蜕变
“我们耀未来”联华30周年品牌盛典
"We Bright the Future" Lianhua 30th Anniversary Brand Ceremony

Communication

Profiles of Directors, Supervisors and Senior Management

Executive Directors

Mr. Xu Tao, aged 48, graduated from Beijing Jiaotong University with a bachelor's degree in Economic Information Management in 1997. From 1998 to 2010, Mr. Xu Tao worked at Unilever Company, successively served as financial management, sales operations manager, senior finance manager of product business and supply chain department, head of audit in Greater China and finance director of catering service department. From 2010 to 2014, Mr. Xu Tao worked at Rentokil Initial, where he served as excellence executive finance director in Asia and president of Greater China. From 2014 to September 2017, Mr. Xu Tao worked at Mannings China, where he has served as executive director of China and president of China. Mr. Xu Tao has extensive experience in corporate management and operations and finance of retail sector. From 27 September 2017 to 23 April 2021, Mr. Xu Tao has been an executive director and the general manager of the Company, and resigned as an executive director and the general manager of the Company on 23 April 2021.

Mr. Chong Xiao-bing, aged 57, graduated from Beijing Union University with a college degree majoring in Mechanical Design and Manufacturing. Mr. Chong started his career in 1985. Mr. Chong has been a technician of Far East Instrument Co., Ltd., deputy director of the Electric Instrument Research Office of China Coal Research Institute, and consultant of ICC Business Consulting Company. Mr. Chong has worked at Wumart Group since 1997, and has been the store manager, regional manager, development director, operation director, marketing director, deputy general manager of Beijing Wumei Supermarket Co.,Ltd., vice president of Wumart Group and general manager of East China Region, etc. Mr. Chong has been working in Wumart Group for 22 years, where he has been in charge of purchasing, operation, marketing, investment promotion, planning and other fields. He has rich experience in operation and management of retail chain enterprises. Mr. Chong has strong task management ability, self-confidence and is hardworking with strong execution ability, which can ensure the powerful advancement of target tasks. Mr. Chong served as the executive deputy general manager of the Company from August 2019 to April 2021,and has been an executive director and the general manager of the Company since 23 April 2021.

Non-executive Directors

Mr. Ye Yong-ming, aged 57, holds a master's degree in Business Administration from China Europe International Business School and now the secretary of Party Committee, the chairman of the board of directors of Bailian Group Co.,Ltd. (“Bailian Group”). He served successively as the 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 Co., Ltd., general manager of SAIC-Volkswagen Sales Co., Ltd. (上汽大眾汽車銷售有限公司), vice president of Shanghai Automotive Industrial (Group) Co., Ltd., vice president of Shanghai Automotive 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 and director of SAIC General Motors Corporation Limited. Mr. Ye has been the deputy secretary of Party Committee and president of Bailian Group from August 2013 and has been the secretary of Party Committee and chairman of the board of directors of Bailian Group since September 2015, and also held the position of president of Bailian Group from September 2015 to April 2017. He has been the chairman of the board of directors of Shanghai Bailian Group Co.,Limited. (“Shanghai Bailian”) since December 2015. From 17 November 2015 to 12 November 2021, Mr. Ye has been a non-executive director of the Company and the chairman of the Board, and resigned as a non-executive director of the Company and the chairman of the Board on 12 November 2021.

Mr. Pu Shao-hua, aged 51, bachelor of arts, senior economist, is currently the president and deputy secretary of the Party Committee of Bailian Group Co., Ltd. Mr. Pu served as general manager of Shanghai Ocean Fishery Co., Ltd. and deputy general manager of Shanghai Deep Sea Fishery Co., Ltd., director of foreign economic department of Shanghai Municipal Commission of Commerce, director of foreign economic department of Shanghai Economic Commission, director of the commercial industry management office Shanghai Municipal Commission of Commerce, director of the foreign trade development office of the Shanghai Municipal Commission of Commerce, president and deputy secretary of the Party Committee of Shanghai Fisheries Group Co., Ltd., secretary of the Party Committee, chairman and president of Shanghai Fisheries Group Co., Ltd., secretary of Party Committee, chairman of the board of Bright Dairy Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600597) and other positions. Mr. Pu has been a non-executive director of the Company and the chairman of the Board since 12 November 2021.

Ms. Xu Zi-ying, aged 53, senior economist, graduated from the Department of Management Engineering of Shanghai Jiaotong University with a master's degree in Industry Management Engineering and is now the deputy secretary of the Party Committee, president and director of Bailian Group. Ms. Xu Zi-ying served successively as deputy director and director of the High Technology Industry Development Department of Shanghai Development Planning Commission, director of the High Technology Industry Department of Shanghai Development and Reform Commission, deputy chief economist and director of the High Technology Industry Department of Shanghai Development and Reform Commission, vice president of Shanghai Electric (Group) Company and deputy director and a member of the Party Committee of the Shanghai Municipal Commission of Economy and Information. From April 2017 to November 2021, Ms. Xu Zi-ying has been the deputy secretary of the Party Committee, president and director of Bailian Group. From June 2017 to November 2021, she has been the vice chairman of Shanghai Bailian and the chairman of Shanghai First Pharmaceutical Co., Ltd. ("First Pharmaceutical", 上海第一醫藥股份有限公司, a company listed on the Shanghai Stock Exchange with stock code 600833). She has been the deputy secretary of the Party Committee and president of Bright Food Group since November 2021. From 12 June 2017 to 12 November 2021, Ms. Xu Zi-ying has been a non-executive director of the Company and the vice chairman of the Board, and resigned as a non-executive director of the Company and the vice chairman of the Board on 12 November 2021.

Mr. Shi Xiao-long, aged 45, graduate degree, doctor of economics, senior economist, is currently the executive director of the economic operation department of Bailian Group Co., Ltd. Mr. Shi served as the deputy director of the strategy research office of Bailian Group Co., Ltd., the director of the strategy research office and the deputy director of the secretary office of the board of directors of Bailian Group Co., Ltd., executive deputy director of the economic operation department of Bailian Group Co., Ltd. and other positions. Mr. Shi has been a non-executive director of the Company and the vice chairman of the Board since 12 November 2021.

Mr. Xu Hong, aged 48, graduated from the Department of Physics of Fudan University with a bachelor's degree in Science and is a member of the Chinese Institute of Certified Public Accountants (CICPA). He is now working at Alibaba Group Holding Limited ("Alibaba Group") as the Chief Financial Officer. Before joining Alibaba Group, Mr. Xu Hong worked in PricewaterhouseCoopers (PwC) and became a partner of PwC in July 2007. Mr. Xu Hong had been a non-executive director of the Company since 28 August 2018 and resigned as a non-executive director of the Company on 28 March 2022. In the past three years, Mr. Xu Hong had been a director of Suning Holdings Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002024), Alibaba Health Information Technology Limited (a company listed on the Stock Exchange with stock code HK.0241), Red Star Macalline Group Corporation Ltd. (a company listed on both of the Stock Exchange and the Shanghai Stock Exchange with stock code HK.1528 and 601828 respectively), Meinian Onehealth Healthcare Holdings Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002044), Alibaba Pictures Group Limited (a company listed on the Stock Exchange with stock code HK.1060) and Sun Art Retail Group Ltd. (a company listed on the Stock Exchange with stock code HK.6808).

Mr. Xu Pan-hua, aged 44, graduated from Shanghai Jiao Tong University with bachelor's degree in engineering and Emory University with MBA degree. He is currently a senior investment director in the strategic investment department of Alibaba Group. He joined Alibaba Group in 2012 and served as an investment manager, a senior investment manager, an investment director and a senior investment director in the strategic investment department. Prior to joining Alibaba Group, he was an assistant auditor at Deloitte Touche Tohmatsu Limited, and then an engineer and senior engineer at Nokia Siemens Networks, and then a senior research manager at Roth Capital Partners. Meanwhile, he is a board director of Sanjiang Shopping Club Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601116), New Huadu Supercenter Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002264) and Wuhan Department Store Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000501). Mr. Xu Pan-hua was a board director of Meinian Onehealth Healthcare Holdings Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002044) from December 2019 to April 2020 and from October 2021 to March 2022. Mr Xu Pan-hua has been a non-executive director of the Company on 28 March 2022.

Ms. Zhang Shen-yu, aged 49, graduated from Shanghai Second Polytechnic University with a bachelor's degree in Business Administration and is currently the secretary of Party Committee and general manager of Shanghai Bailian. Ms. Zhang served successively as the manager of the market operation department of the department store department of Bailian Group, deputy general manager of the Investment Attraction and Procurement Headquarters of Shanghai Bailian, deputy general manager of Shanghai Youyicheng Shopping Center Co., Ltd. and general manager of Orient Shopping Center Nandong Store of Shanghai Bailian Department Store Management Co., Ltd. From June 2014 to June 2015, she served as the assistant general manager of Shanghai Bailian. From June 2015 to May 2020, she worked with Bailian Omni-channel Electronic Commerce Co., Ltd. as deputy general manager, deputy secretary of Party Committee and general manager successively. She has been the secretary of Party Committee and executive deputy general manager (in charge) of Shanghai Bailian since May 2020, and served as the general manager of Shanghai Bailian since March 2021. Ms. Zhang was appointed as a non-executive director of the Company on 22 June 2020.

Mr. Dong Xiao-chun, aged 57, senior accountant, holds a master's degree in Business Administration from Shanghai Jiaotong University and is currently the financial director and the secretary of the board of Shanghai Bailian. Mr. Dong Xiao-chun worked in Hualian Shangsha and Shanghai Hualian Supermarket Company in his early years. He served successively as the financial director of Hualian Supermarket Co., Ltd., financial director of the department store department of Bailian Group and financial director and secretary of the board of directors of Shanghai Bailian. From September 2011 to June 2015, he served as the financial director of Shanghai Friendship (now renamed as "Shanghai Bailian"), and also held the position of the secretary of the board of directors from February 2012. From June 2015 to May 2020, he served as the financial director of Bailian Electronic Commerce Co., Ltd. (renamed as "Bailian Financial Services Co., Ltd." from January 2019). Mr. Dong Xiao-chun has been the financial director of Shanghai Bailian since May 2020 and a director of Shanghai Bailian since June 2020. Mr. Dong Xiao-chun was appointed as a non-executive director of the Company on 22 June 2020.

Mr. Wong Tak Hung, aged 70, 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 the chairman of Guangzhou Wanling Properties Company Limited (廣州市萬菱置業有限公司) since 2004. Since 2005, he has also been 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 69, holds a master's degree in Economics and is a professor and PhD tutor. From July 1985 to September 2000, Mr. Xia served as a teacher, the assistant principal and the vice president of Shanghai University of Finance and Economics. From September 2000 to August 2012, he served as the dean of Shanghai National Accounting Institute. Mr. Xia served as a professor, PhD tutor and director of the academic committee of Shanghai National Accounting Institute since August 2012. Mr. Xia has also served as the vice president of China Industrial Economics Association, the consultant expert of Accounting Standards Committee of the Ministry of Finance, the vice president of Chinese Accounting Association, the vice president of China Association of Chief Financial Officers, the president of Shanghai Accounting Association, the honorary professor of Chinese University of Hong Kong, adjunct professor of School of Management of Fudan University, and member of the expert committee of listed companies of Shanghai Stock Exchange, and he enjoys government subsidies from the State Council. Mr. Xia has served as an independent director of Guotai Junan Co., Ltd. (國泰君安股份有限公司) (a company listed on the Shanghai Stock Exchange and the Stock Exchange with stock code 601211 and HK.2611, respectively) since May 2016. Mr. Xia has served as an independent director of Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 603885) since July 2017. Mr. Xia has been an external supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 601166) since May 2016. Mr. Xia has served as an independent director of Yanggo Group Co.,Ltd (陽光城集團股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 000671) since December 2020. Mr. Xia served as an independent director of Baoshan Iron and Steel Co., Ltd. (寶山鋼鐵股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600019) from April 2013 to September 2019. Mr. Xia has been an independent non-executive director of the Company since September 2004.

Mr. Lee Kwok Ming, Don, aged 64, 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) and holds a master's degree of science in Business Administration from the University of Bath (英國巴富大學). He is now an independent director of Bossini International Holdings Limited (a company listed on the Stock Exchange with stock code HK.0592), Want Want China Holdings Limited (a company listed on the Stock Exchange with stock code HK.0151) and Tam Jai International Co. Limited (a company listed on the Stock Exchange with stock code HK.2217). Before his retirement in April 2020, he served as the financial director of Stella International Holdings Ltd. (九興控股有限公司, a company listed on the Stock Exchange with stock code HK.1836). Mr. Lee has held the position of financial director in various listed companies of the Stock Exchange and 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. Chen Wei, aged 60, is the Professor of Management Practice at Peking University HSBC Business School (PHBS) and Director of Centre of Innovation and Entrepreneurship at PHBS. Prior to joining PHBS, Mr. Chen was the senior vice president for Didi Chuxing. Before Didi Chuxing, Mr. Chen served as executive vice president and Chief Human Resource Officer (CHRO) at Vanke Enterprises Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000002). Mr. Chen Wei started up the Hay Group consulting business in China and later served as managing director for Greater China and North East Asia. He became the global executive team member in 2009 and board member in 2013 of Hay Group. Mr. Chen Wei also worked for Coca Cola and Nike in marketing and general management earlier in his business career. Mr. Chen Wei holds a bachelor's degree in Psychology from East China Normal University and a master's degree in Workforce Learning and Development from Pennsylvania State University in USA. He has also graduated from AMP (Advanced Management Program) from Harvard Business School. Mr. Chen has been an independent non-executive director of the Company since 28 March 2018.

Mr. Zhao Xin-sheng, aged 48, is a Charted Professional Accountant (CPA) of Canada and Certified Information System Auditor (CISA). He has been the managing director of Shanghai Think Bridge Business Consulting Co., Ltd. since October 2002. From September 1996 to September 2002, Mr. Zhao worked at the Audit and Business Advisory Department of Arthur Andersen, mainly responsible for the financial statement auditing of listed companies and multinational enterprises and business consulting in corporate risk and control. From 2010 to 2018, Mr. Zhao served as an independent director of Shanghai Yimin Commercial Group Co., Ltd. He has served as an independent director of Shanghai Bright Power Semiconductor Co., Ltd. (上海晶豐明源半導體股份有限公司) (a company listed on Shanghai Stock Exchange GEM with stock code 688368) since 22 May 2020. Mr. Zhao graduated from Shanghai University of Finance and Economics in 1996 with a bachelor's degree in Accounting. He has rich experience in corporate accounting and financial consulting, human resources allocation, marketing, public relation, corporate merger and acquisition, risk management and internal control as well as legal compliance. Mr. Zhao has been an independent non-executive director of the Company since 29 March 2019.

Supervisors

Mr. Yang A-guo, aged 57, senior accountant, holds a postgraduate degree in Economics and Management of Party School of Central Committee of C.P.C, and is currently the financial director of Bailian Group. He was head of the finance department, assistant minister, vice minister and minister of the finance department of Shanghai Friendship (Group) Co., Ltd., and was the deputy minister and minister of the financial management department of Bailian Group. He has been the financial director of Bailian Group since August 2017. Mr. Yang has been the supervisor of Shanghai Bailian from June 2017 to June 2020 and the chairman of the supervisory committee of Shanghai Material Trading Co., Ltd. (上海物資貿易股份有限公司, a company listed on Shanghai Stock Exchange with stock code 600822) since June 2017. From 28 November 2017 to 2 December 2021,Mr. Yang has been a supervisor of the Company and the chairman of the supervisory committee of the Company, and resigned as a supervisor of the Company and the chairman of the supervisory committee of the Company on 2 December 2021.

Mr. Li Feng, aged 51, is a senior auditor and holds a master's degree of Public Administration at the School of International Relations and Public Affairs of Fudan University. He is currently the senior director of audit and risk control center of Bailian Group. From 1993 to March 2020, Mr. Li Feng worked in the Shanghai Audit Bureau, successively served as staff of Public Transport Audit Office, deputy chief staff member and chief staff member of the Foreign Investment Audit Office, the deputy director of the Law Department (Review and Hearing Office), the deputy director, third-level investigator and second-level investigator of the Law Department (Hearing Office) of the Shanghai Audit Bureau. Mr. Li Feng has served as the senior director of the audit and risk control center of Bailian Group since June 2020. Mr. Li has been a supervisor of Shanghai Bailian since June 2020 and the chairman of the supervisory committee of First Pharmaceutical since October 2020. Mr. Li Feng was appointed as a supervisor of the Company on 22 June 2020. He has been the chairman of the supervisory committee of the Company since 2 December 2021.

Ms. Tang Hao, aged 51, is a member of the Communist Party of China, with a master's degree majoring in the World Economy from the Graduate School of the Party School of the Central Committee of C.P.C. From July 1991 to December 2002, Ms. Tang worked in the second chemical supply company of Shanghai Chemical Industry Corporation, serving as the statistician, office clerk, and assistant to general manager. From December 2002 to December 2006, Ms. Tang worked in Shanghai Jingtong Chemical Co., Ltd., serving as the deputy manager of the first branch company, deputy manager of the second branch company and deputy manager of the plastic branch company. From December 2006 to September 2014, Ms. Tang worked in Shanghai Jingtong Chemical Development Co., Ltd., serving as the director of general office from December 2006 to February 2008, the assistant to general manager and director of general office from February 2008 to August 2009, the deputy general manager from August 2009 to May 2010, the deputy general manager, the deputy secretary of the Party branch and the secretary of the Discipline Commission from June 2010 to April 2012, the secretary of the Party branch, the deputy general manager and the secretary of the Discipline Commission from April 2012 to September 2014. From September 2014 to October 2017, she served as the member of the Party Committee of Shanghai Modern Logistics Investment and Development Co., Ltd. and the executive director, the secretary of the Party branch and the general manager of Shanghai Jingtong Chemical Development Co., Ltd. Since November 2017, Ms. Tang has been appointed as the deputy secretary of the Party Committee, the secretary of the Discipline Commission and president of labour union of the Company, and secretary of the Party Committee of Shanghai Lianhua Quik Convenience Stores Co., Ltd. Since October 2019, Ms. Tang has been the presiding deputy secretary of the Party Committee of the Company. Ms. Tang has been appointed as a supervisor of the Company on 11 December 2019.

Ms. Tian Ying-jie, aged 44, graduate degree, Chinese CPA, is currently the general manager of the financial management department of Shanghai Bailian (a company listed on the Shanghai Stock Exchange, stock code: 600827). Ms. Tian served as a senior auditor of Deloitte Touche Tohmatsu Nanjing Branch, manager of Deloitte Consulting (Shanghai) Co., Ltd., general manager of the financial center of Sasseur (Shanghai) Holdings Co., Ltd., director of the financial management department of Bailian Group Co., Ltd., the financial director of Shanghai No. 1 Pharmacy Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600833), and other positions. Ms. Tian has been appointed as a supervisor of the Company on 2 December 2021.

Joint Company Secretaries

Ms. Xu Xiao-yi, aged 44, is a senior accountant and certified public accountant, holds a master's degree in Business Administration from Shanghai University of Finance and Economics. Ms. Xu Xiao-yi currently serves as deputy financial officer, the secretary of the Board, the authorised representative of the Company under Rule 3.05 of the Listing Rules and the authorised representative of the e-submission system of the Stock Exchange. She successively served as the head of the finance department of Shanghai Friendship Department Store Co., Ltd. and the head of the finance department of the shopping center division of Bailian Group. From February 2006 to August 2019, she worked in Shanghai Bailian and successively served as the manager of the tax management department of the finance headquarters, assistant to the director of the audit center, deputy director of the audit center, director of the audit center and director of the audit and risk control department. She served as the executive deputy director of the financial management department of Bailian Group from August 2019 to May 2020. Ms. Xu Xiao-yi was appointed as a joint company secretary of the Company on 2 July 2020.

Ms. Leung Shui Bing, aged 45, is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from the University of Bradford in the United Kingdom and a master's degree in Corporate Governance from The Open University of Hong Kong. She is a Chartered Secretary and Chartered Corporate Governance Professional, and was admitted as an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Leung was appointed as a joint company secretary of the Company on 2 July 2020.

Senior Management

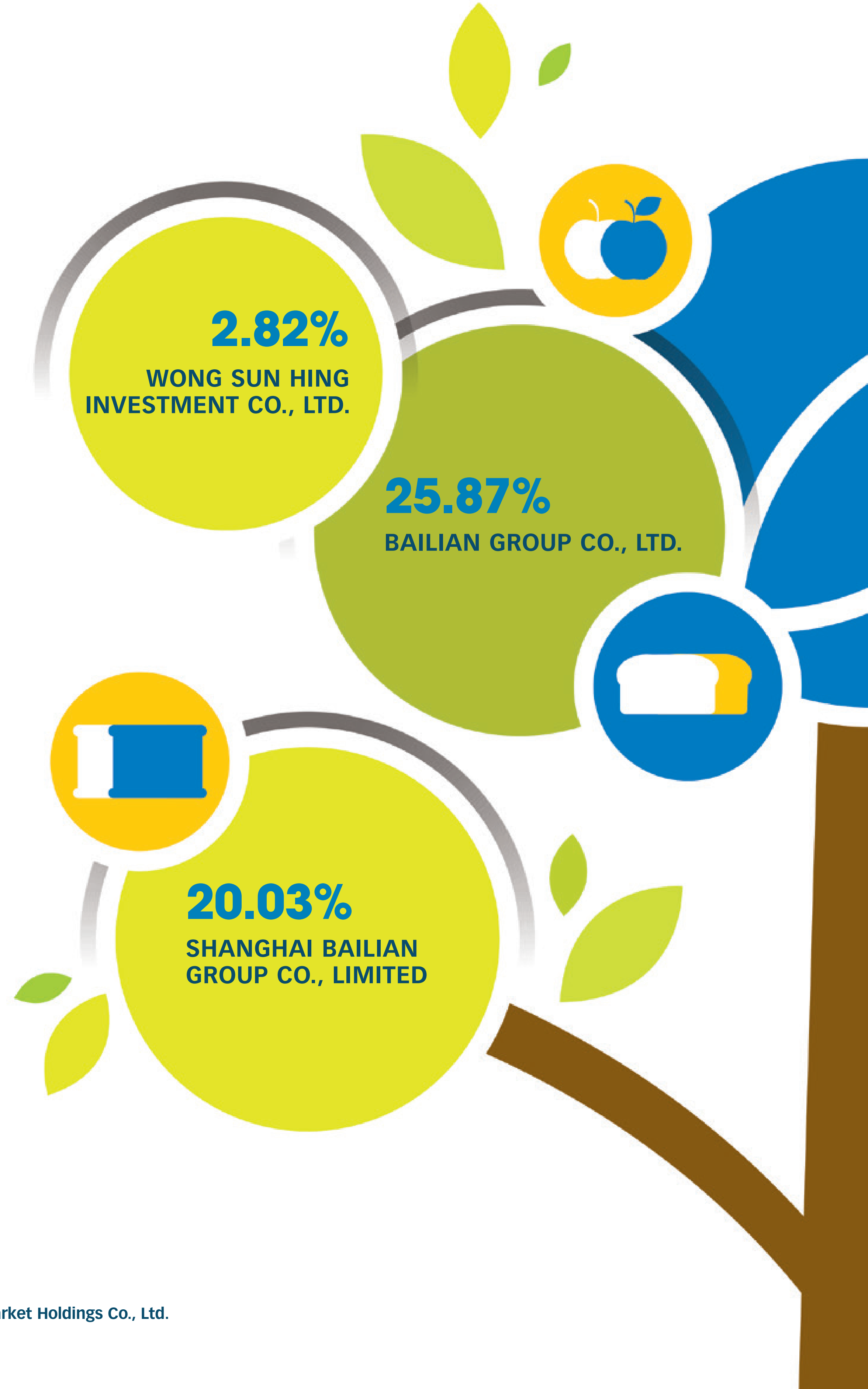
Ms. Zhang Hui-qin, aged 48, held a master's degree in Quality Management of the Hong Kong Polytechnic University. Since July 2015, she has been vice-chairman, secretary of the Party Committee and general manager of Hangzhou Lianhua Huashang Group Co., Ltd. From August 1996 to June 2003, Ms. Zhang successively worked with Jiayou Supermarkets of Hangzhou Department Stores Company as deputy superintendent of operation department, store manager of Wensan Store, chief of Qingchun Store and vice manager of operation department. From July 2003 to June 2016, Ms. Zhang worked with Hangzhou Lianhua Huashang Group Co., Ltd. as manager of operation department, assistant to the general manager, deputy general manager, standing deputy general manager, general manager, secretary of the Party Committee and vice chairman. She has abundant operation and management experience in the retail commercial field. From June 2016 to June 2021, She has been deputy general manager of the Company, and served as executive deputy general manager of the Company since June 2021.

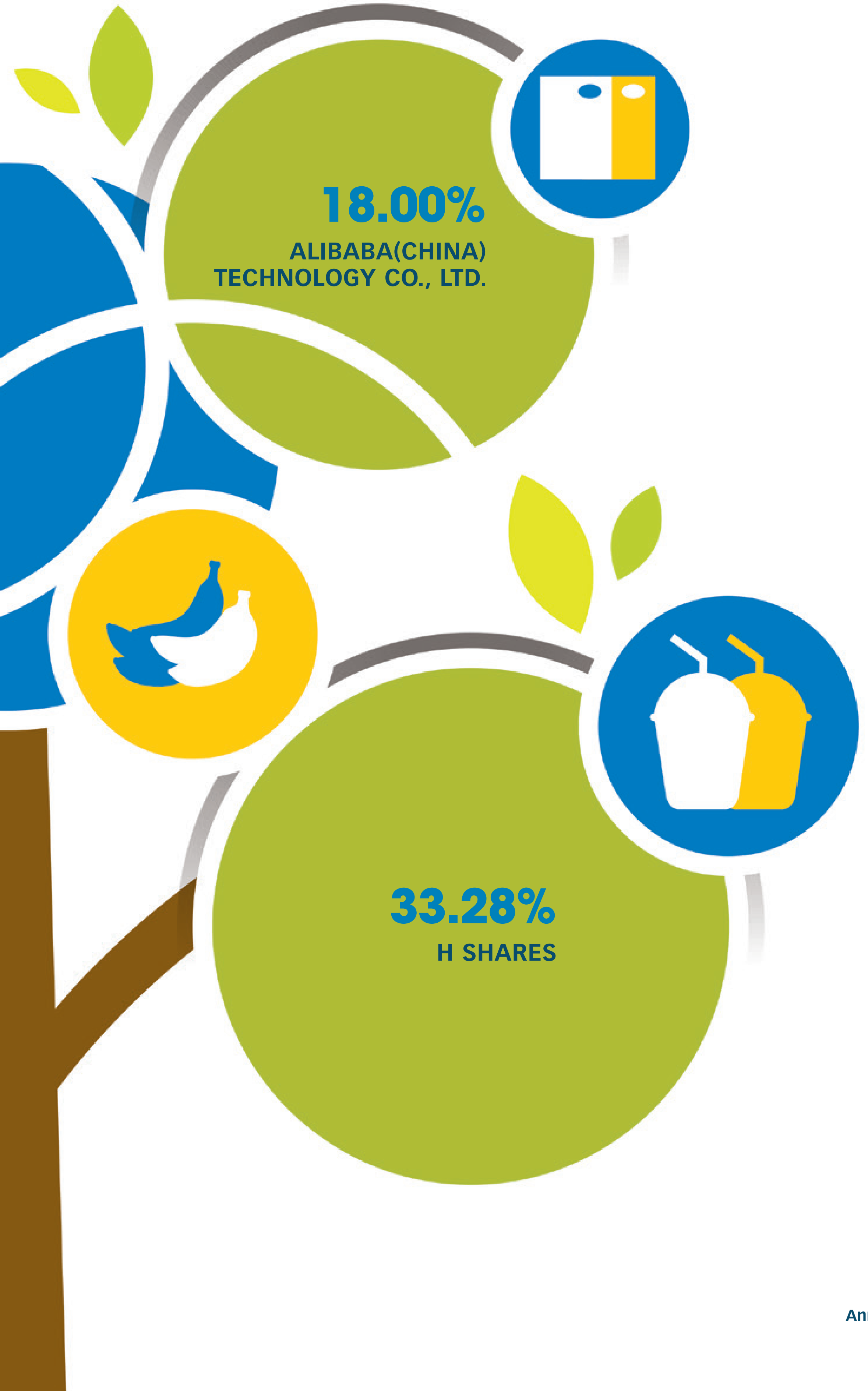
Mr. Liang Bao-long, aged 57, is a senior operator and a logistician. Mr. Liang graduated from Tongji University majoring in Management Engineering. From January 1999 to December 2001, he pursued a postgraduate degree at Shanghai Academy of Social Sciences, majoring in Economics. From July 1984 to February 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 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 secretary of the Party Committee of Shanghai Bailian Distribution Industrial Co., Ltd. (上海百聯配送實業有限公司). From March 2012 to June 2021, he has been the deputy general manager of the Company, and served as deputy secretary of the Party Committee of the Company since June 2021.

Mr. Dong Gang, aged 43, graduated from Wuchang University of Technology in 2015 with a bachelor's degree. From September 2003 to July 2015, Mr. Dong Gang worked for Tesco China. From September 2003 to March 2006, he served as store general manager, purchasing manager, regional fresh commissioner in Dalian; from March 2006 to November 2008, he was the regional general manager of Shenyang; from November 2008 to May 2010, he was chief operating officer of Shandong Region; from May 2010 to June 2012, he served as chief operating officer of North China Region; from June 2012 to July 2015, he served as chief operating officer of Northeast Region. From November 2015 to April 2017, Mr. Dong Gang acted as head of store operations in Shenzhen Shunfeng Commercial Co., Ltd. Mr. Dong Gang has been appointed as deputy general manager of the Company since September 2017.

Mr. Wang Song, aged 39, holds a bachelor's degree in Management from Tiangong University. Previously, from April 2004 to March 2006, Mr. Wang Song served as the general ledger cost supervisor of Southseas Oil & Fats Industrial (Chiwan) Ltd. From March 2006 to December 2009, he served as the financial manager of Huawei Technologies Co., Ltd. From December 2009 to June 2012, he served as the head of the financial sharing service center of Yihai Kerry Investment Co., Ltd.. From June 2012 to July 2015, he served as the financial director of China District of BreadTalk Group (a company listed in Singapore with stock code BRET). From July 2015 to July 2017, he served as the financial director of Shanghai Phicomm Communication Co., Ltd. From August 2017 to July 2018, he served as the financial director of Shanghai Hexi Investment Co., Ltd. From July 2018 to February 2019, he served as the senior financial director of Shanghai Yiguo E-Commerce Co., Ltd. From February 2019, he has served as the head of the integrated financial team of the financial department of Shanghai Hema Network Technology Co., Ltd. Mr. Wang Song has worked in the fields of fast-moving consumer goods, traditional retail chains, and online and offline new retail for nearly 16 years. He has extensive experience in financial team management, construction of financial system framework, and reform in the financial management driven by the capability construction of middle office. Mr. Wang Song has been appointed as the chief financial officer of the Company since 10 June 2020.

Shareholding Structure




18.00%
ALIBABA(CHINA) TECHNOLOGY CO., LTD.
33.28%
H SHARES

30周年
特推商品
Live the good life
Anniversary 1991-2021
优先上市
独家供应
加量不加价
踏青出游季
SPRING

30周年
特推商品
优先上市
独家供应
加量不加价
HAPPY
SPRING
是动的感觉
消火栓

Response

Report of the Directors

The Board is pleased to present to the Shareholders the report of the Company for the year ended 31 December 2021.

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 22 and note 51 to the consolidated financial statements of the annual report.

Further discussion and analysis of these activities mentioned above, 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 section headed "Management Discussion and Analysis" as set out on pages 20 to 43 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 consolidated financial statements of the annual report.

Major Suppliers and Customers

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

	2021 percentage	2020 percentage
Purchases		
Largest supplier	**2.21**	2.05
Five largest suppliers	**7.81**	7.33
Sales		
Largest customer	**0.11**	0.11
Five largest customers	**0.46**	0.41

During the year ended 31 December 2021, to the best knowledge of the Directors, neither the Directors, Supervisors, their respective associates, nor any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued share capital of the Company) had any direct or indirect interest in the share capital of the Group's suppliers and customers mentioned above.

The analysis of the key relationship with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends can be found in the Environmental, Social and Governance Report as set out on pages 237 to 304 of the annual report.

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 18 to 19 of the annual report.

Accounts

The audited results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 146 of the annual report.

The financial condition of the Group as at 31 December 2021 is set out in the consolidated statement of financial position on pages 147 to 148 of the annual report.

The cash flow of the Group for the year ended 31 December 2021 is set out in the consolidated statement of cash flow on pages 150 to 151 of the annual report.

Dividend Distribution

The Company has adopted a policy on dividend payment in accordance with code provision F.1.1 of the Corporate Governance Code. The decision to pay dividends will depend on, among other things, the Company's financial results, current and future business operations, liquidity and capital requirements, financial position and other factors deemed relevant by the Board. The Company will regularly review the dividend policy.

The Board recommends not to distribute final dividend for the year ended 31 December 2021.

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 149 of the annual report.

Fixed Assets

Movements of fixed assets during the period under review are set out in note 16 to the consolidated financial statements of the annual report.

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB361,515.

Bank Loans, Overdrafts and Other Borrowings

As at 31 December 2021, the Group had no bank borrowings.

As at 31 December 2021, the Group has borrowings from fellow subsidiaries of RMB600 million.

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 members 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 details of the issue.

Information on the performance of H shares of the Company in 2021:

Highest trading price per H share during the year	HK$1.63
Lowest trading price per H share during the year	HK$0.80
Total turnover volume of H shares during the year	97 million shares
Closing price per H share as at 31 December 2021	HK$0.81

Public Float

The Company confirms that the Company's public float during the period under review has complied with the applicable requirements of the Listing Rules.

Share Capital

As at 31 December 2021, the classes and number of shares of the Company are as follows:

Class of shares	Number of issued shares ('000 shares)	Percentage (%)
Domestic shares	**715,397.4**	63.90
Attributable to:		
Bailian Group Co., Ltd.	**289,661.4**	25.87
Shanghai Bailian Group Co., Limited	**224,208**	20.03
Alibaba (China) Technology Co., Ltd.	**201,528**	18.00
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**	100.00

Number of Shareholders

As at 31 December 2021, details of Shareholders as recorded in the register of members of the Company are as follows:

Total number of Shareholders	31
Shareholders of domestic shares	3
Shareholders of unlisted foreign shares	1
Shareholders of H shares	27

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 (the "Articles of Association")), the rights attached to the Unlisted Foreign Shares, which are subject to certain restrictions on transfer as referred to the Prospectus and may become H shares of the Company (the "H Shares") upon obtaining the requisite approvals from, among others, the China Securities Regulatory Commission (the "CSRC") and the Stock Exchange, are not expressly provided 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 the 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 (the "Domestic Shares") of the Company (in particular, in respect of the rights to attend and vote at general meetings and class meetings and to receive notice of such meetings in the same manner as 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 2021, none of the Directors, Supervisors or chief executive officer of the Company had any interest and short position 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 interests and short positions which were required, pursuant to section 352 of the SFO, to be entered in the Company's register referred to therein, or interests and short positions 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.

Substantial Shareholders

So far as the Directors are aware, as at 31 December 2021, 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	Capacity of Interest
Shanghai Bailian Group Co., Limited (Note 1)	domestic shares	224,208,000	20.03%	30.01%	–	Beneficial owner
Alibaba Group Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao China Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao (China) Software Co., Ltd. (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Alibaba (China) Technology Co., Ltd. (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Beneficial owner
Bailian Group Co., Ltd. (Note 1)	domestic shares	513,869,400	45.90%	68.79%	–	Beneficial owner/Interest of corporation controlled
China Galaxy International Asset Management (Hong Kong) Co., Limited (Note 3)	H shares	54,588,000(L)	4.88%	–	14.65%(L)	Investment manager
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) (Note 3)	H shares	54,588,000(L)	4.88%	–	14.65%(L)	Interest of corporation controlled
Xu Zi-zuo	H shares	53,357,000(L)	4.77%	–	14.32%(L)	Beneficial owner
Corornation Global Fund Managers (Ireland) Ltd	H shares	37,130,454(L)	3.32%	–	9.97%(L)	Investment manager
Julius Baer International Equity Fund	H shares	12,191,558(L)	1.09%	–	5.89% (L)	Beneficial owner

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

Notes:

1. As at 31 December 2021, Bailian Group directly and indirectly holds approximately 53.16% of the shares in Shanghai Bailian. As at 31 December 2021, Shanghai Bailian held 224,208,000 shares of the Company. Thus, Bailian Group directly and indirectly holds 513,869,400 shares of the Company, or 45.90% in proportion.

   As at 31 December 2021, (i) Mr. Pu Shao-hua, the Chairman and a non-executive Director, was the president and deputy secretary of the Party Committee of Bailian Group; (ii) Mr. Shi Xiao-long, the Vice Chairman and a non-executive director of the Company, was the executive director of the economic operation department of Bailian Group; (iii) Ms. Zhang Shen-yu, a non-executive Director, was a director and the general manager of Shanghai Bailian; (iv) Mr. Dong Xiao-chun, a non-executive Director, was a director, the chief financial officer and the secretary of the board of Shanghai Bailian; (v) Mr. Li Feng, a supervisor and the chairman of the supervisory committee of the Company, was the senior director of the auditing centre of Bailian Group,a supervisor of Shanghai Bailian and the chairman of the supervisory committee of First Pharmaceutical; and (vi) Ms. Tian Ying-jie, a supervisor of the Company, was the general manager of the financial management department of Shanghai Bailian.

2. Alibaba Group Holding Limited holds 100% of the shares in Taobao Holding Limited, Taobao Holding Limited holds 100% of the shares in Taobao China Holding Limited, Taobao China Holding Limited holds 100% of the shares in Taobao (China) Software Co., Ltd., Taobao (China) Software Co., Ltd. holds 57.59% of the shares in Alibaba (China) Technology Co., Ltd., Alibaba (China) Technology Co., Ltd. holds 201,528,000 shares of the Company, representing 18% share capital of the Company. Thus, Alibaba Group Holdings Limited, Taobao Holding Limited, Taobao China Holding Limited and Taobao (China) Software Co., Ltd. are all deemed to be interested in the shares held by or deemed to be interested by Alibaba (China) Technology Co., Ltd.

3. China Galaxy International Asset Management (Hong Kong) Co., Limited holds 100% of the shares in China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP). China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) held 54,588,000 shares of the Company. Thus, China Galaxy International Asset Management (Hong Kong) Co., Limited directly and indirectly holds approximately 54,588,000 shares of the Company, or approximately 4.88% in proportion.

4. As the Company issued 8 additional shares to the Shareholders whose names appeared on the register of member of the Company on the record date, i.e. 28 June 2011, for every 10 shares held by them by way of capitalization of the capital reserve fund on 8 September 2011, the number of H shares of the Company held as at 31 December 2019 by holders of H shares has 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 2021.

Competing Interests

As at 31 December 2021, according to the Listing Rules, other than the Directors disclosed below, none of the Directors had any interest in any businesses which were considered to compete or likely to compete, either directly or indirectly, with the business of the Group (except for those businesses in which Directors are appointed as Directors to represent the interests of the Company and/or the Group under the Listing Rules).

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
Xu Hong	Sun Art Retail Group Ltd.	hypermarket	Director

In addition, according to the Listing Rules, Mr. Xu Pan-hua, who was appointed as a non-executive director of the Company on 28 March 2022, has interests in the following businesses that are considered to compete or likely to compete, either directly or indirectly, with the business of the Group (except for those businesses in which Directors are appointed as Directors to represent the interests of the Company and/or the Group under the Listing Rules).

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
Sanjiang Shopping Club Co.,Ltd	Hypermarket	Director
New Hua Du Supercenter Co.,Ltd	Operating supermarkets, department stores and other retail businesses	Director

Ultimate Holding Company

As at the date of this report, Bailian Group, a company incorporated in the PRC with limited liability, is the ultimate holding company of Shanghai Bailian. Accordingly, Bailian Group is the ultimate holding company of the Company.

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.

Management Contracts

No contracts for the management and administration of the whole or any substantial part of any business of the Company existed or was entered into during the year ended 31 December 2021.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company for the year ended 31 December 2021.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed in note 50 and note 51 to the consolidated financial statements in the annual report, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the financial year.

Directors and Supervisors

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

Executive Director

Mr. Xu Tao (Note 1)
Mr. Chong Xiao-bing (Note 2)

Non-executive Directors

Mr. Ye Yong-ming (Note 3)
Mr. Pu Shao-hua *(Chairman)* (Note 4)
Ms. Xu Zi-ying (Note 5)
Mr. Shi Xiao-long *(Vice Chairman)* (Note 6)
Mr. Xu Hong (Note 7)
Mr. Xu Pan-hua (Note 8)
Ms. Zhang Shen-yu
Mr. Dong Xiao-chun
Mr. Wong Tak Hung

Independent Non-executive Directors

Mr. Xia Da-wei
Mr. Lee Kwok Ming, Don
Mr. Chen Wei
Mr. Zhao Xin-sheng

Supervisors

Mr. Yang A-guo (Note 9)
Mr. Li Feng *(Chairman)* (Note 10)
Ms. Tang Hao
Mr. Tian Ying-jie (Note 11)

Notes:

1. Mr. Xu Tao resigned as an executive Director on 23 April 2021.

2. Mr. Chong Xiao-bing was appointed as an executive Director on 23 April 2021.

3. Mr. Ye Yong-ming resigned as a non-executive Director and chairman of the Board on 12 November 2021.

4. Mr. Pu Shao-hua was appointed as a non-executive Director and chairman of the Board on 12 November 2021.

5. Ms. Xu Zi-ying resigned as a non-executive Director and vice chairman of the Board on 12 November 2021.

6. Mr. Shi Xiao-long was appointed as a non-executive Director and vice chairman of the Board on 12 November 2021.

7. Mr. Xu Hong resigned as a non-executive Director on 28 March 2022.

8. Mr. Xu Pan-hua was appointed as a non-executive Director on 28 March 2022.

9. Mr. Yang A-guo resigned as a Supervisory and chairman of the Supervisory Committee on 2 December 2021.

10. Mr. Li Feng was appointed as chairman of the Supervisory Committee on 2 December 2021.

11. Ms. Tian Ying-jie was appointed as a Supervisor on 2 December 2021.

Details of the profiles of the Directors, Supervisors and senior management of the Company are set out on pages 46 to 55 of the annual report.

Directors' and Supervisors' Service Contracts

The Company has entered into service contract with each of the executive Director 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 2022, 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 a person connected to 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 senior management.

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, working time and responsibility 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. Please refer to note 13 to the consolidated financial statements of the Company for details of the Director's remuneration.

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 14 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 43 to the consolidated financial statements of the Company for details of the retirement pension schemes.

Change of Auditors

During the past three years, there was no change of the auditor of the Company.

Significant Litigation

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

Connected and Related Party Transactions

During the period under review, the Group had significant transactions with related parties (as detailed in note 50 to the consolidated financial statements), certain of which fall into connected or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules, the details of which are set out below.

(a) Connected and related party transactions

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Sales to fellow subsidiaries	736,057	628,058
Purchases from fellow subsidiaries	354,337	318,624
Purchases from other related parties	145	1,687
Rental income from fellow subsidiaries	44,709	43,185
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	5,532	5,184
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	8,144	8,350
Service fee charged by other related parties	28,295	19,177
Property management fee charged by fellow subsidiaries	15,096	14,311
Interest expenses on lease liabilities charged by fellow subsidiaries	6,950	8,692
Interest income earned from a fellow subsidiary	18,037	22,822
Interest expenses charged by a fellow subsidiary	9,311	–
Platform usage fee charged by fellow subsidiaries	33,366	27,358
Logistics material rental fee charged by fellow subsidiaries	2,228	2,456
Logistics distribution service fee charged by fellow subsidiaries	3,208	12,150
Logistics distribution income from fellow subsidiaries	4,999	–
Logistics distribution fee charged by the other related parties	4,910	5,149
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	19,235	22,179
Transaction amounts transferred from a fellow subsidiary's settlement account into the Group's relevant account upon redemption of membership points by the customers	13,019	13,985
Cash and cash equivalents in a fellow subsidiary	539,008	502,535
Unrestricted term deposits in a fellow subsidiary	–	350,000
Borrowing from a fellow subsidiary	600,000	–
Investment and wealth management cooperation with a fellow subsidiary	794,640	–

Fellow subsidiaries referred above are other subsidiaries of Bailian Group.

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

	2021 **RMB'000**	2020 RMB'000
Purchases from associates —Shanghai Gude Business Cooperation Company and Shanghai Sanming Taige Information Technology Co., Ltd.	**4,424**	3,658

Connected Transactions

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

Continuing Connected Transactions – Shanghai Qingpu Leasing Agreement

On 3 December 2021, Shanghai Century Lianhua Supermarket Qingpu Co., Ltd. ("Century Lianhua Qingpu") entered into the Shanghai Qingpu Leasing Agreement (the "Shanghai Qingpu Leasing Agreement") with Yinggang Road Branch of Shanghai Qingpu Bailian Orient Shopping Center Co., Ltd. ("SQBOSC Yinggang Road Branch"), pursuant to which, SQBOSC Yinggang Road Branch agreed to lease the Qingpu Premise to Century Lianhua Qingpu, for a term of 10 years commencing from 15 November 2021 to 14 November 2031 (both days inclusive).

The rents payable by Century Lianhua Qingpu under the Shanghai Qingpu Leasing Agreement will be the higher of: (i) the basic rents and fees (including the basic rents and the property management fees) and (ii) the turnover rents, and shall be paid on a quarterly basis by Century Lianhua Qingpu to SQBOSC Yinggang Road Branch.

The basic rents and fees are calculated as follows: basic rents and fees = the unit price (i.e. RMB1.876, including RMB1.376 for the basic rents and RMB0.5 for the property management fees) × total leasing area (i.e. 3,675.75 square meters) × 365 days. The basic rents and fees will increase by 6% for every three years starting from the fourth year of the Shanghai Qingpu Leasing Agreement.

The turnover rents are calculated as follows: turnover rents = turnover (tax inclusive) × 5%.

The estimated annual rents payable under the Shanghai Qingpu Leasing Agreement for each year during the leasing period will be subject to an annual cap of RMB7,000,000, including annual rents and property management fees of RMB5,200,000 per year, utilities, energy subsidies and other related expenses of RMB1,800,000 per year.

As the Hong Kong Financial Reporting Standard 16 Leases has become effective on 1 January 2019 and applied to financial years beginning on or after 1 January 2019, with respect to the continuing connected transactions under the Shanghai Qingpu Leasing Agreement, the Company is required to set an annual cap on the value of right-of-use assets. The right-of-use assets shall be initially measured in accordance with the cost, including the initial measurement amount of lease liability, etc., among which, the lease liability shall be initially measured based on the present value of the rents which have not been paid at the commencement of the term of the Shanghai Qingpu Leasing Agreement. The annual cap for the value of right-of-use assets under the Shanghai Qingpu Leasing Agreement is RMB16,000,000 for each year, which is determined with reference to the estimated annual rents payable by Century Lianhua Qingpu to SQBOSC Yinggang Road Branch.

SQBOSC Yinggang Road Branch is a subsidiary of Bailian Group, a substantial Shareholder. Accordingly, the transactions contemplated under the Shanghai Qingpu Leasing Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio of the transactions contemplated under the Shanghai Qingpu Leasing Agreement exceeds 0.1% but is less than 5%, the relevant transactions are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the term of the Shanghai Qingpu Leasing Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has engaged the Independent Financial Adviser to review the Shanghai Qingpu Leasing Agreement and the Independent Financial Adviser has confirmed that it is normal business practice for agreements of this type to be of such duration.

For the year ended 31 December 2021, the actual transaction amount of annual rent payable under the Shanghai Qingpu Lease Agreement is approximately RMB0.

Please refer to the announcement of the Company dated 3 December 2021 for relevant details of the transaction.

Continuing Connected Transactions – Goods Supply Framework Agreement

On 17 June 2021, the Company entered into the Goods Supply Framework Agreement (the "Goods Supply Framework Agreement") with Zhejiang Tmall Network Technology Co., Ltd. (the "Tmall Network"), pursuant to which, the Company and its subsidiaries agreed to supply various kinds of goods, including but not limited to fresh produce and foods, to Tmall Network and its subsidiaries, for a term commencing from 17 June 2021 to 31 December 2023 (both days inclusive).

The operating units of both parties may enter into individual goods supply contracts setting out specific terms of supply of goods, including the goods to be supplied, price determination method, delivery method and payment arrangement. The payment shall be made by bank transfer. Such terms shall be consistent with the principles and the terms of the Goods Supply Framework Agreement. If there is any discrepancy between the terms of an individual goods supply contract and the Goods Supply Framework Agreement, the latter shall prevail.

The prices for the goods to be supplied under the Goods Supply Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such goods. The payment under the individual goods supply contract is to be made according to the terms of the individual goods supply contract. The prices for the goods supplied by the Company to Tmall Network will not be less favourable to the Company than those available to independent third parties in similar transactions.

The respective maximum annual transaction amounts payable by Tmall Network to the Company for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 under the Goods Supply Framework Agreement are RMB30,000,000, RMB40,000,000 and RMB40,000,000.

Tmall Network is an indirect wholly-owned subsidiary of Alibaba Holding, which is the holding company of Alibaba China. Alibaba China is a substantial Shareholder and therefore is a connected person of the Company. As such, Tmall Network is an associate of Alibaba China and a connected person of the Company. Accordingly, the transactions contemplated under the Goods Supply Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) for the transactions contemplated under the Goods Supply Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Goods Supply Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For the year ended 31 December 2021, the actual transaction amount under the Goods Supply Framework Agreement is approximately RMB0.

Please refer to the announcement of the Company dated 17 June 2021 for relevant details of the transaction.

Major Transaction and Continuing Connected Transactions– Marketing Services Agreement

On 23 April 2021, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement (the "Investment and Wealth Management Cooperation Framework Agreement") with Shanghai Securities Co., Ltd. (the "Shanghai Securities"), pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, for a term commencing from 23 April 2021 to 31 December 2023 (both days inclusive).

Pursuant to the Investment and Wealth Management Cooperation Framework Agreement, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, including but not limited to investment products, entrusted investment services and other investment cooperation.

(1) Investment Products: Shanghai Securities may from time to time recommend and provide its investment products (including but not limited to trust products, monetary funds and asset management plans) to the Group. Assuming the commercial terms offered by Shanghai Securities are comparable to those offered by other independent third parties in the PRC, the Group shall consider the investment products offered by Shanghai Securities on a preferred basis. The Group will purchase the investment products with its legally owned funds pursuant to the specific purchase agreements to be entered into between the Group and Shanghai Securities.

    Taking into account the reputation, the asset scale and the investment management experience of Shanghai Securities, the Company is of the view that with equivalent terms and conditions provided by Shanghai Securities, it will be fair and reasonable and in the interests of the Company and its Shareholders as a whole to consider the investment products provided by Shanghai Securities on a preferred basis.

(2) Entrusted Investment Services: The Group will entrust its legally owned funds to Shanghai Securities and Shanghai Securities will provide entrusted investment services (including but not limited to asset-backed securitization service) to the Group pursuant to the specific entrusted investment agreements to be entered into between the Group and Shanghai Securities.

(3) Other Investment Cooperation: The Group and Shanghai Securities may initiate other investment cooperation through negotiation in compliance with relevant laws and regulations.

The pricing of the investment products and entrusted investment services under the Investment and Wealth Management Cooperation Framework Agreement shall be jointly determined by the Group and Shanghai Securities through negotiation on the basis of the market price of the same industry and the principle of fairness and reasonableness, and with reference to the prevailing market terms of similar investment products or entrusted investment services offered by other independent financial institutions in the PRC at the time of entering into the specific agreements under the Investment and Wealth Management Cooperation Framework Agreement. Shanghai Securities has agreed that, in principle, the terms and conditions of the investment products and entrusted investment services offered by Shanghai Securities to the Group shall be no less favourable than those offered by Shanghai Securities to other independent third parties in respect of similar investment products or entrusted investment services.

The payment shall be made by bank transfer and shall be settled according to the specific situation of each transaction, which shall be in line with the market practice of each specific transaction. Details of the payment terms (including the amount and expenses, payment method and payment time) shall be specified in the individual agreements to be entered into between both parties.

Pursuant to the Investment and Wealth Management Cooperation Framework Agreement, the maximum daily investment balance (including expected accrued investment returns) of the Group with Shanghai Securities under the Investment and Wealth Management Cooperation Framework Agreement for each of the three years ending 31 December 2023 are RMB1,000 million.

Bailian Group is a substantial Shareholder of the Company, and Shanghai Securities is a subsidiary of Bailian Group. As such, Shanghai Securities is a connected person of the Company. Accordingly, the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed annual caps for the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement is more than 25% but less than 100%, the investment and wealth management cooperation contemplated under the Investment and Wealth Management Cooperation Framework Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed annual caps for the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement is more than 5%, the investment and wealth management cooperation contemplated under the Investment and Wealth Management Cooperation Framework Agreement and the proposed annual caps thereof is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent shareholders of the Company have approved the Investment and Wealth Management Cooperation Framework Agreement and the annual cap at the 2020 Annual General Meeting held on 17 June 2021.

For the year ended 31 December 2021, the maximum daily investment balance (including any investment income) of the Group under the Investment and Wealth Management Cooperation Framework Agreement in Shanghai Securities is approximately RMB794.64 million.

Please refer to the announcement of the Company dated 23 April 2021 and the Circular of the Company dated 27 May 2021 for relevant details of the transaction.

Continuing Connected Transactions – Marketing Services Agreement

On 29 December 2020, the Company entered into the Marketing Services Agreement (the "Marketing Services Agreement") with Hangzhou Taoxianda Network Technology Co., Ltd.* (杭州淘鮮達網絡科技有限公司, "Hangzhou Taoxianda"), pursuant to which, the Company and Hangzhou Taoxianda agreed to cooperate on marketing, operation assistance, management consultation and technology support, for a term commencing from 29 December 2020 to 31 December 2022 (both days inclusive).

Pursuant to the Marketing Services Agreement, Hangzhou Taoxianda will distribute different kinds of coupons of the Company as a marketing method on its electronic platform for use at the supermarkets and hypermarkets of the Company during a specific promotion period as agreed between the two parties. Therefore, the electronic platform of Hangzhou Taoxianda as well as the supermarkets and hypermarkets of the Company both get promoted through such marketing activities. In order to realise such cooperation on marketing, the Company will update the electronic payment system in the supermarkets and hypermarkets in accordance with Hangzhou Taoxianda's requirements and with its assistance to ensure smooth redemption of such coupons.

Since the Company provides actual discount to the customers who use such coupons, Hangzhou Taoxianda will bear the discounted payment and settle such discounted payment with the Company after the end of the promotion period. The payment to be made by Hangzhou Taoxianda to the Company are calculated as follows: total amount of the payment = the discount reflected on the coupons × the number of coupons actually used in the supermarkets and hypermarkets of the Company.

The discounts to be provided by the Company under the Marketing Services Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between both parties on the basis of the prevailing market conditions for promotional activities. Since Hangzhou Taoxianda will settle the discounted payment with the Company and will not charge the Company any service fee for such cooperation, Hangzhou Taoxianda will in fact provide marketing services to the Company for free.

In addition, Hangzhou Taoxianda will provide the details of the discounts provided by the Company within one business day after the end of the promotion period. The payment is to be made by Hangzhou Taoxianda to the Company within ten business days after the amount of the discounts is confirmed by both parties. Therefore, the settlement period of such discounted payment by Hangzhou Taoxianda to the Company is relatively short.

Based on the currently available information, the Company considers that the cooperation method contemplated under the Marketing Services Agreement is a brand new one in the retail market and there is no available market price or practise for such cooperation. Taking into account the fact that Hangzhou Taoxianda will in fact provide the relevant service for free and the relatively short settlement period for the discounted payment, the Company is of the view that the terms under the Marketing Services Agreement will not be less favourable than those available from independent third parties in similar transactions (if any).

Hangzhou Taoxianda is an indirect wholly-owned subsidiary of Alibaba Group Holding Limited* (阿里巴巴集團控股有限公司, "Alibaba Group"), which is the holding company of Alibaba (China) Technology Co., Ltd (阿里巴巴(中國)網絡技術有限公司, "Alibaba China"). Alibaba China is a substantial Shareholder and therefore is a connected person of the Company. As such, Hangzhou Taoxianda is an associate of Alibaba China and a connected person of the Company. Accordingly, the transactions contemplated under the Marketing Services Agreement constitute continuing connected transactions of the Company.

The respective maximum annual transaction amounts payable by Hangzhou Taoxianda for the financial years ending 31 December 2021 and 31 December 2022 under the Marketing Services Agreement are RMB40,000,000 and RMB50,000,000 respectively.

As the highest applicable percentage ratio (as defined in the Listing Rules) for the transactions contemplated under the Marketing Services Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Marketing Services Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Marketing Services Agreement for the year ended 31 December 2021 is approximately RMB3,962.6 thousand.

Please refer to the announcement of the Company dated 29 December 2020 for relevant details of the transaction.

Continuing Connected Transactions – Alipay Services Agreements and Software Services Framework Agreement

The Company's subsidiaries entered into various Alipay Services Agreements (the "Alipay Services Agreements") with Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司, "Alipay") during the period from January 2016 to March 2019.

Pursuant to the Alipay Services Agreements, Alipay agreed to act as the payment channel between the end customers and the Company's subsidiaries. The Company's subsidiaries can use the equipment that supports the system of Alipay to identify the bar code or QR code on end customers' smart phones or other wireless equipment to complete the settlement process with the end customers.

Alipay will charge the Company's subsidiaries service fees for providing payment services, and deduct such service fees upon the completion of the transactions between the end customers and the Company's subsidiaries in real time.

The service fees chargeable by Alipay under the Alipay Services Agreements shall be calculated based on a rate of the transaction amounts between the Company's subsidiaries and the end customers. Such rate has been determined upon arm's length negotiations by the relevant parties and would be on normal commercial terms based on the standard rate provided by Alipay to its other customers.

The controlling shareholder of Alipay is Ant Group Co., Ltd. (螞蟻科技集團股份有限公司, "Ant Group"), and Alibaba Group owns 33% of shares in Ant Group. Alibaba China is a substantial shareholder of the Company and Alibaba Group is the holding company of Alibaba China. Accordingly, Ant Group and Alipay are associates of Alibaba China and connected persons of the Company under Chapter 14A of the Listing Rules. So far as the Company was aware, the Company's subsidiaries had entered into various Alipay Services Agreements before Alipay became a connected person of the Company. The continuing transactions under such agreements have subsequently become continuing connected transactions of the Company after Alipay became a connected person of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio (as defined in the Listing Rules) of the total historical amounts paid by the Company's subsidiaries to Alipay for the year of 2019 and the period ended 25 November 2020 exceeds 0.1% but is less than 5%. As such, the Company is required to comply with the disclosure and annual review requirements pursuant to Rule 14A.60 of the Listing Rules with respect to such existing Alipay Services Agreements.

Since the terms of the existing Alipay Services Agreements has expired or will expire in or after December 2020 in succession, the Company entered into the Software Services Framework Agreement (the "Software Services Framework Agreement") with Alipay on 24 December 2020, pursuant to which, Alipay and its subsidiaries agreed to provide payment services and related software services to the Company and its subsidiaries for a term commencing from 1 January 2021 to 31 December 2023 (both days inclusive).

Alipay and its subsidiaries agreed to provide payment services and related software services to the Company and its subsidiaries. Alipay agreed to act as the payment channel between the end customers and the Group. The Company and its subsidiaries can use the equipment that supports the system of Alipay to identify the bar code, QR code or sonic wave on end customers' smart phones or other wireless equipment supported by Alipay and its subsidiaries to complete the settlement process with the end customers. Alipay or its subsidiaries will provide the Company or its subsidiaries with related software services, including but not limited to encryption and online enquiry services.

The subsidiaries of both parties may enter into individual software services contracts setting out specific terms of providing software services, including the price determination method, settlement and payment arrangement. If there is any discrepancy between the terms of an individual software services contract and the Software Services Framework Agreement, the latter shall prevail.

Alipay will charge the Group service fees for providing software services, and deduct such service fees upon the completion of the transactions between the end customers and the Group in real time.

The service fees chargeable by Alipay under the Software Services Framework Agreement shall be calculated based on a rate of the transaction amounts between the Group and the end customers. Such rate has been determined upon arm's length negotiations by the relevant parties and is on normal commercial terms based on the standard rate provided by Alipay to its other customers.

The respective maximum amount of service fees payable by the Group to Alipay for each of the three financial years ending 31 December 2021, 2022 and 2023 under the Software Services Framework Agreement is RMB50 million.

As the highest applicable percentage ratio (as defined in the Listing Rules) for the transactions contemplated under the Software Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Software Services Framework Agreement for the year ended 31 December 2021 is approximately RMB24,332.7 thousand.

Please refer to the announcement of the Company dated 24 December 2020 for relevant details of the transaction.

Continuing Connected Transactions – Goods Supply Framework Agreement

On 5 December 2019, the Company entered into the Goods Supply Framework Agreement (the "Goods Supply Framework Agreement") with Bailian Group, pursuant to which, the Company agreed to supply various kinds of goods to Bailian Group, including but not limited to foods and fresh produce, for a term commencing from 1 January 2020 to 31 December 2022 (both days inclusive).

The operating units of both parties may enter into individual goods supply contracts setting out specific terms of supply of goods, including the goods to be supplied, price determination method, delivery method and payment arrangement. The payment shall be made by bank transfer. Such terms shall be consistent with the principles and the terms of the Goods Supply Framework Agreement. If there is any discrepancy between the terms of an individual goods supply contract and the Goods Supply Framework Agreement, the latter shall prevail.

The prices for the goods to be supplied under the Goods Supply Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such goods. The payment under the individual goods supply contract is to be made according to the terms of the individual goods supply contract. The prices for the goods supplied by the Company to Bailian Group will not be less favourable than those available to independent third parties in similar transactions.

Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Goods Supply Framework Agreement constitute continuing connected transactions of the Company.

The respective maximum annual transaction amounts payable by Bailian Group to the Company for the financial years ending 31 December 2020, 2021 and 2022 under the Goods Supply Framework Agreement are RMB50,000,000, RMB60,000,000 and RMB60,000,000.

As the highest applicable percentage ratio for the transactions contemplated under the Goods Supply Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Goods Supply Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Goods Supply Framework Agreement for the year ended 31 December 2021 is approximately RMB27,557.0 thousand.

Please refer to the announcement of the Company dated 5 December 2019 for relevant details of the transaction.

Continuing Connected Transactions – Logistics and Services Framework Agreement

On 5 December 2019, the Company entered into the Logistics and Delivery Services Framework Agreement (the "Logistics and Delivery Services Framework Agreement") with Bailian Group, pursuant to which, the Company agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group, for a term commencing from 1 January 2019 to 31 December 2021 (both days inclusive).

The Company and its subsidiaries agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group and its subsidiaries. The logistics and delivery services include but not limited to delivery, allocation, and return of goods within Shanghai and delivery and storage management service (i.e. delivery of goods into the warehouse, storage, sorting and retrieval of goods from the warehouse) outside Shanghai. The entrusted management services refer to entrusting the Company to manage the delivery services department and personnel of Bailian Group.

The operating units of both parties may enter into individual logistics and delivery services contracts setting out specific terms of logistics and delivery services, including the services to be provided, price determination method and payment arrangement. The payment shall be made by bank transfer. Such terms shall be consistent with the principles and the terms of the Logistics and Delivery Services Framework. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Logistics and Delivery Services Framework, the latter shall prevail.

The prices for the services to be provided under the Logistics and Delivery Services Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contract. The prices for the services provided by the Company will not be less favourable than those available to independent third parties in similar transactions.

Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

The respective maximum annual transaction amounts payable by Bailian Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 under the Logistics and Delivery Services Framework Agreement are RMB11,000,000, RMB30,000,000 and RMB50,000,000.

As the highest applicable percentage ratio for the transactions contemplated under the Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Logistics and Delivery Services Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Logistics and Delivery Services Framework Agreement for the year ended 31 December 2021 is approximately RMB4,998.6 thousand.

On 24 September 2021, the Company renewed the Logistics and Delivery Services Framework Agreement with Bailian Group, pursuant to which, the Company agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group for a term commencing from 1 January 2022 to 31 December 2024(both days inclusive).

The respective maximum annual transaction amounts payable by Bailian Group to the Company for each of the three years ending 31 December 2024 under the Logistics and Delivery Services Framework Agreement are RMB20,000,000.

As the highest applicable percentage ratio for the transactions under the Logistics and Delivery Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Logistics and Delivery Services Framework Agreement are 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 announcements of the Company dated 5 December 2019 and dated 24 September 2021 for relevant details of the transaction.

Continuing Connected Transactions– Goods Procurement Framework Agreement

On 3 April 2019, the Company entered into the Goods Procurement Framework Agreement with Tmall Technology (the "Goods Procurement Framework Agreement"), pursuant to which, the Company agreed to purchase from Tmall Technology various kinds of goods, including but not limited to foods, fresh produce and industrial products, for a term commencing from 1 January 2019 to 31 December 2021 (both days inclusive).

The operating units of both parties may enter into individual goods procurement contracts setting out specific terms of procurement of goods, including the goods to be procured, price, amount, delivery method and payment arrangement. Such terms shall be consistent with the principles and the terms of the Goods Procurement Framework Agreement. If there is any discrepancy between the terms of an individual goods procurement contract and the Goods Procurement Framework Agreement, the latter shall prevail.

The prices for the goods to be procured under the Goods Procurement Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such goods. The payment under the individual goods procurement contract is to be made according to the terms of the individual goods procurement contract. The prices for the goods procured by the Company from Tmall Technology will not be less favourable than those available from independent third parties in similar transactions.

The respective maximum annual transaction amounts payable by the Company for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 under the Goods Procurement Framework Agreement are RMB60,000,000.

Tmall Technology is an indirect subsidiary of Alibaba Group, which is the holding company of Alibaba China. Alibaba China is a substantial Shareholder and therefore is a connected person of the Company. As such, Tmall Technology, is an associate of Alibaba China and a connected person of the Company. Accordingly, the transactions contemplated under the Goods Procurement Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio for the transactions contemplated under the Goods Procurement Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Goods Procurement Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Goods Procurement Framework Agreement for the year ended 31 December 2021 is approximately RMB145.5 thousand.

Please refer to the announcement of the Company dated 3 April 2019 for relevant details of the transaction.

Continuing Connected Transactions – Qianhe Logistics and Delivery Services Framework Agreement and Zhiguan Logistics and Delivery Services Framework Agreement and Change of Counterparty

On 3 April 2019, the Company entered into the Qianhe Logistics and Delivery Services Framework Agreement (the "Qianhe Logistics and Delivery Services Framework Agreement") with Zhejiang Qianhe Network Technology Co., Ltd. (浙江仟和網絡科技有限公司) ("Zhejiang Qianhe"), pursuant to which, Zhejiang Qianhe and its subsidiaries agreed to provide logistics and delivery services to the Company and its subsidiaries, for a term commencing from 1 January 2019 to 31 December 2021 (both days inclusive).

Zhejiang Qianhe and its subsidiaries agreed to provide logistics and delivery services to the Company and its subsidiaries, including but not limited to the provision of delivery information, resources connection and delivery, allocation, and return of products within Shanghai and delivery and storage management services outside Shanghai.

The operating units of both parties may enter into individual logistics and delivery services contracts setting out specific terms of logistics and delivery services, including the services to be provided, price determination method and payment arrangement. Such terms shall be consistent with the principles and the terms of Qianhe Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Qianhe Logistics and Delivery Services Framework Agreement, the latter shall prevail.

The prices for the services to be provided under the Qianhe Logistics and Delivery Services Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contract. However, the payment shall be made by bank transfer. The prices for the services provided by Zhejiang Qianhe will not be less favourable than those available from independent third parties in similar transactions.

The respective maximum annual transaction amounts payable by the Company for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 under the Qianhe Logistics and Delivery Services Framework Agreement are RMB7,000,000, RMB15,000,000 and RMB28,000,000.

On 3 April 2019, the Company entered into the Zhiguan Logistics and Delivery Services Framework Agreement (the "Zhiguan Logistics and Delivery Services Framework Agreement") with Shanghai Zhiguan Information Technology Co., Ltd. (上海止觀信息科技有限公司)("Shanghai Zhiguan"), pursuant to which, Shanghai Zhiguan and its subsidiaries agreed to provide logistics and delivery services to the Company and its subsidiaries, for a term commencing from 3 April 2019 to 31 December 2021 (both days inclusive). Shanghai Zhiguan and its subsidiaries agreed to provide logistics and delivery services to the Company and its subsidiaries, including but not limited to the provision of delivery information, resources connection and delivery, allocation, and return of goods within Shanghai and delivery and storage management services outside Shanghai.

The operating units of both parties may enter into individual logistics and delivery services contracts setting out specific terms of logistics and delivery services, including the services to be provided, price determination method and payment arrangement. Such terms shall be consistent with the principles and the terms of Zhiguan Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Zhiguan Logistics and Delivery Services Framework Agreement, the latter shall prevail.

The prices for the services to be provided under the Zhiguan Logistics and Delivery Services Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contract. However, the payment shall be made by bank transfer. The prices for the services provided by Shanghai Zhiguan will not be less favourable than those available from independent third parties in similar transactions.

The respective maximum annual transaction amounts payable by the Company for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 under the Zhiguan Logistics and Delivery Services Framework Agreement are RMB7,000,000, RMB15,000,000 and RMB28,000,000.

Zhejiang Qianhe and Shanghai Zhiguan are both indirect subsidiaries of Alibaba Group, which is the holding company of Alibaba China. Alibaba China is a substantial Shareholder and therefore is a connected person of the Company. As such, Zhejiang Qianhe and Shanghai Zhiguan are associates of Alibaba China and connected persons of the Company. Accordingly, the transactions contemplated under each of the Qianhe Logistics and Delivery Services Framework Agreement and the Zhiguan Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Qianhe Logistics and Delivery Services Framework Agreement and the Zhiguan Logistics and Delivery Services Framework Agreement will be aggregated. Upon such aggregation, the highest applicable percentage ratio of the transactions contemplated under the Qianhe Logistics and Delivery Services Framework Agreement and the Zhiguan Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%. Accordingly, the transactions contemplated under the Qianhe Logistics and Delivery Services Framework Agreement and the Zhiguan Logistics and Delivery Services Framework Agreement (after such aggregation) are only subject to reporting, annual review and announcement requirements, but is exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

As informed in writing by Alibaba Group on 22 June 2020, the holding company of Alibaba China which is a substantial shareholder of the Company and the holding company of Shanghai Zhiguan, that due to the business adjustment of Shanghai Zhiguan, the rights and obligations of Shanghai Zhiguan under the Zhiguan Logistics and Delivery Services Framework Agreement will be transferred to and undertaken by Hangzhou Rajax Information Technology Co., Ltd. (杭州拉紮斯信息科技有限公司, "Hangzhou Rajax"), an indirect wholly-owned subsidiary of Alibaba Group. Therefore, the counterparty to the Zhiguan Logistics and Delivery Services Framework Agreement will be changed from Shanghai Zhiguan to Hangzhou Rajax. The Board considers that the change of counterparty to the Zhiguan Logistics and Delivery Services Framework Agreement will not affect the normal business transactions contemplated thereunder and therefore agrees to such amendment to the Zhiguan Logistics and Delivery Services Framework Agreement.

Save for the aforementioned amendment, other major terms and conditions of the Zhiguan Logistics and Delivery Services Framework Agreement set out in the Announcement shall remain unchanged. The Board (including the independent non-executive Directors) is of the view that the terms of the Zhiguan Logistics and Delivery Services Framework Agreement and the transactions contemplated thereunder together with the aforementioned amendment are fair and reasonable, on normal commercial terms, entered into in the ordinary and usual course of the Company's business and in the interests of the Company and its shareholders as a whole.

The actual transaction amount under the Qianhe Logistics and Delivery Services Framework Agreement for the year ended 31 December 2021 is approximately RMB0.

The actual transaction amount under the Zhiguan Logistics and Delivery Services Framework Agreement for the year ended 31 December 2021 is approximately RMB4,910.0 thousand.

The Company renewed the Rajax Logistics and Delivery Services Framework Agreement (the "Rajax Logistics and Delivery Services Framework Agreement") with Hangzhou Rajax, pursuant to which, Hangzhou Rajax agreed to provide logistics and delivery services to the Group, including but not limited to the provision of delivery information, resources connection and delivery, allocation, and return of goods within Shanghai and delivery and storage management services outside Shanghai for a term commencing from 1 January 2022 to 31 December 2024.

The respective maximum annual transaction amounts payable by the Company for each of the three years ending 31 December 2022, 31 December 2023 and 31 December 2024 under the Rajax Logistics and Delivery Services Framework Agreement are RMB7,000,000, RMB15,000,000 and RMB28,000,000.

As the highest applicable percentage ratio for the transactions under the Rajax Logistics and Delivery Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Rajax Logistics and Delivery Services Framework Agreement are 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 announcements of the Company dated 3 April 2019, dated 22 June 2020 and dated 24 September 2021 for relevant details of the transaction.

Continuing Connected Transactions – Logistics and Delivery Services Framework Agreement

On 24 December 2020, the Company entered into the Logistics and Delivery Services Framework Agreement (the "Logistics and Delivery Services Framework Agreement")with Bailian Group, pursuant to which, Bailian Group agreed to provide logistics and delivery services to the Group, for a term commencing from 1 January 2021 to 31 December 2023 (both days inclusive).

Bailian Group and/or its subsidiaries agreed to provide logistics and delivery services to the Group. The logistics and delivery services provided by Bailian Group include but not limited to providing delivery services, allocation services and returning services within the city of Shanghai, and providing delivery services and warehousing services outside the city of Shanghai, to the Group on a non-exclusive basis. The provision of delivery services by Bailian Group refers to the delivery of goods by Bailian Group to the Group at the various outlets of the Group and the provision of warehousing services refers to the delivery of goods into the warehouse, storage, sorting and retrieval of goods from the warehouse.

The operating units of both parties may enter into individual logistics and delivery services contracts setting out specific terms of such services including price, settlement method and payment arrangement. Such terms shall be consistent with the principles and the terms of the Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Logistics and Delivery Services Framework Agreement, the latter shall prevail.

The price for the logistics and delivery services under the Logistics and Delivery Services Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market price of such services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contracts. The prices for the services provided by Bailian Group to the Company will not be less favourable than those available from independent third parties in similar transactions.

The respective maximum annual transaction amounts payable by the Group for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 under the Logistics and Delivery Services Framework Agreement are RMB16,000,000, RMB25,000,000 and RMB35,000,000.

As Bailian Group is a substantial Shareholder, Bailian Group is a connected person of the Company. Therefore, the transactions contemplated under the Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the transactions under the Logistics and Delivery Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Logistics and Delivery Services Framework Agreement are 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.

The actual transaction amount under the Logistics and Delivery Services Framework Agreement for the year ended 31 December 2021 is approximately RMB3,208.3 thousand.

Please refer to the announcement of the Company dated 24 December 2020 for relevant details of the transaction.

Continuing Connected Transactions – Logistics Resources Leasing Framework Agreement

On 8 October 2018, the Company entered into the logistics resources leasing framework agreement with Bailian Group (the "Logistics Resources Leasing Framework Agreement"), pursuant to which, Bailian Group agreed to lease to the Group logistics resources, including but not limited to trays and other logistics resources, for the Group's daily logistics needs for a term of three years commencing from 1 January 2019 to 31 December 2021 (both days inclusive).

The operating units of both parties may enter into individual logistics resources leasing contracts setting out specific terms of such services including price, settlement method, payment method and time of payment. Such terms shall be consistent with the principles and the terms of the Logistics Resources Leasing Framework Agreement. If there is any discrepancy between the terms of an individual logistics resources leasing contract and the Logistics Resources Leasing Framework Agreement, the latter shall prevail.

The price for the logistics resources leased under the Logistics Resources Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market price of such services. The prices for the logistics resources provided by Bailian Group to the Company will not be less favourable than those available from independent third parties in similar transactions. The payment under the individual logistics resources leasing contract is to be made according to the terms of the individual logistics resources leasing contract. The payment under the individual logistics resources leasing contract are to be made in cash on a monthly or agreed period basis and shall be consistent with the market payment terms of leasing such kind of logistics resources.

The respective maximum annual transaction amounts payable by the Company for each of the financial year ended 31 December 2019, 31 December 2020 and 31 December 2021 under the Logistics Resources Leasing Framework Agreement are RMB3 million.

Bailian Group is a substantial Shareholder and is a connected person of the Company. Therefore, the transactions contemplated under the Logistics Resources Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the transactions under the Logistics Resources Leasing Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Logistics Resources Leasing Framework Agreement are 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.

The actual transaction amount under the Logistics Resources Leasing Framework Agreement for the year ended 31 December 2021 is approximately RMB2,228.2 thousand.

On 24 September 2021, the Company renewed Logistics Resources Leasing Framework Agreement with Bailian Group, pursuant to which, Bailian Group and its subsidiaries agreed to lease to the Group logistics resources, including but not limited to trays and other logistics resources, for the Group's daily logistics needs for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

The respective maximum annual rental amounts payable by the Company for each of the three years ending 31 December 2024 under the Logistics Resources Leasing Framework Agreement are RMB4,000,000.

The subject of this transaction is trays and other logistics resources. According to the individual contract entered into by the parties, the rental is settled pursuant to the quantity of trays and other logistics resources leased on a monthly basis. Since the unit rental price of the trays and other logistics resources is quite low and the rental is settled pursuant to the monthly leased quantity, the rental fluctuates greatly. Since the trays and other logistics resources are not specifically designated and are replaceable, and the value of the subject assets has no significant impact on the financial statements of the Group, the transaction contemplated under the existing logistics resources leasing framework agreement has been accounted with reference to low-value leases and included in the rental expenses without recognising the right-of use assets after the implementation of Hong Kong Financial Reporting Standards (HKFRS) 16 by the Company in 2019. Therefore, this transaction only set the annual caps for the rental, and did not set annual caps for the value of the right-of-use assets.

As the highest applicable percentage ratio for the transactions under the Logistics Resources Leasing Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Logistics Resources Leasing Framework Agreement are 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 announcements of the Company dated 8 October 2018 and 24 September 2021 for relevant details of the transaction.

Continuing Connected Transactions – Modified Leasing Agreement

On 29 April 2005, Shanghai Century Lianhua Supermarket Jinshan Co., Ltd.* (上海世紀聯華超市金山有限公司) ("Century Lianhua Jinshan"), a wholly-owned subsidiary of the Company, and Shanghai Tianle Real Estate Development Co., Ltd.* (上海天樂房產開發有限公司) ("Shanghai Tianle"), an independent third party, entered into a leasing agreement in relation to the leasing of the first floor and the second floor of the premise located at No. 388 Jinlongxin Street, Zhujing Town, Jinshan District, Shanghai, the PRC ("Jinshan Premise") by Shanghai Tianle to Century Lianhua Jinshan for a term of 15 years from 1 June 2007 to 31 May 2022 (the "leasing agreement").

On 12 November 2007, Century Lianhua Jinshan and Shanghai Tianle entered into a supplemental leasing agreement (the "supplemental leasing agreement", and collectively with the leasing agreement, the "original leasing agreements") to amend the total leasing area and the annual rents under the leasing agreement.

Jinshan Premise was sealed up by court in 2012. Shanghai Yibai Group Real Estate Co., Ltd.* (上海一百集團房地產有限公司) ("Shanghai Yibai") then purchased Jinshan Premise and obtained the ownership of Jinshan Premise by enforcement decision of the court on 7 September 2015 through judicial auction. On 26 May 2018, Shanghai Yibai obtained the relevant ownership certificate of Jinshan Premise.

On 14 December 2018, Century Lianhua Jinshan entered into the Modified Leasing Agreement (the "Modified Leasing Agreement") with Shanghai Yibai to modify the lessor of the original leasing agreements. Pursuant to such agreement, the lessor of the original leasing agreements was modified from Shanghai Tianle to Shanghai Yibai, while the other terms of the original leasing agreements remained unchanged. Upon the entering into of the Modified Leasing Agreement, all the rights and obligations under the original leasing agreements would be transferred to and performed by Century Lianhua Jinshan and Shanghai Yibai since 7 September 2015.

The term of the Modified Leasing Agreement is the same as the original leasing agreements, namely a term of 15 years commencing from 1 June 2007 to 31 May 2022 (both days inclusive).

As the term of the Modified Leasing Agreement exceeds three years, pursuant to Rule 14A.44 of the Listing Rules, the Company has engaged an independent financial adviser to review the Modified Leasing Agreement and the independent financial adviser has confirmed that it is in the normal business practice for contracts of this type to be of such duration.

The rents payable by Century Lianhua Jinshan under the Modified Leasing Agreement comprised the property management fee and rents for equipment, which will be paid semi-annually by Century Lianhua Jinshan to Shanghai Yibai.

The annual rents are calculated as follows: annual rents = the unit price (i.e. RMB0.94 per square meter per day) × total leasing area (i.e. 12,589.65 square meters) × 365 days. The annual rents will increase by 5% for every three years starting from the first year of the original leasing agreements.

As mentioned above, Shanghai Yibai has not obtained the ownership certificate of Jinshan Premise until May 2018 and thus Century Lianhua Jinshan was not obliged to pay the relevant rents prior to May 2018. The total outstanding rents for Jinshan Premise for the term from 7 September 2015 (namely the date when Shanghai Yibai obtained the ownership of Jinshan Premise by enforcement decision of the court through judicial auction) to 30 November 2018 amounted to approximately RMB15.99 million. Century Lianhua Jinshan planned to pay such rents in lump sum to Shanghai Yibai before 31 December 2018.

The maximum annual rents payable by Century Lianhua Jinshan for the periods from 1 December 2018 to 31 May 2022 under the Modified Leasing Agreement are RMB5.5 million each year.

As the Hong Kong Financial Reporting Standards 16 "Lease" took effect from 1 January 2019 and is applicable to financial year stating on or after 1 January 2019, the annual caps for the continuing connected transactions of property leasing with the Group as the lessee for the periods from 1 January 2019 to 31 May 2022 under the Modified Leasing Agreement are RMB18.1 million each year. The annual caps are set based on the total value of rights of use assets relating to Jinshan Premise under the Modified Leasing Agreement.

Shanghai Yibai is a wholly-owned subsidiary of Bailian Group, a substantial Shareholder. Accordingly, the transactions contemplated under the Modified Leasing Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio of the transactions contemplated under the Modified Leasing Agreement exceeds 0.1% but is less than 5%, the relevant transactions are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual rental paid by Century Lianhua Jinshan under the Modified Leasing Agreement for the year ended 31 December 2021 is approximately RMB4,995.8 thousand.

Please refer to the announcement of the Company dated 14 December 2018 for relevant details of the transaction.

Continuing Connected Transactions – Financial Services Agreement

On 8 October 2018, 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") 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 for a term commencing from 1 January 2019 to 31 December 2021.

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 2021 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 the total service fees to be charged by Bailian Finance for the provision of other financial services to the Group shall not be more than RMB1.5 million per year; 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.

Bailian Group is a substantial Shareholder and Bailian Finance is a subsidiary of Bailian Group. Accordingly, Bailian Finance and Bailian Group are connected persons of the Company. Therefore, the transactions under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in relation to the provision of deposit services under the financial services agreement is more than 25%, the provision of deposit services under the financial services agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio for annual cap of the provision of deposit services under the financial services agreement is more than 5%, the provision of deposit services under the financial services agreement are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the loan services to be provided by Bailian Group to the Group 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.90 of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

The highest applicable percentage ratio of the total service fees payable by the Company to Bailian Finance for 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. Therefore, the provision of other financial services under the financial services agreement is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will re-comply with the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the total service fees payable by the Company to Bailian Finance for the provision of other financial services under the financial services agreement exceed the de minimis threshold.

The financial services agreement and the continuing connected transactions and the annual caps contemplated thereunder were approved by the independent Shareholders at the extraordinary general meeting on 26 November 2018.

The maximum daily deposit balance placed by the Group in Bailian Finance under the Financial Service Agreement for the year ended 31 December 2021 was approximately RMB1,004,539.0 thousand (including any interest occurred).

On 24 September 2021, the Company renewed the Financial Services Agreement with Bailian Group and Bailian Finance, 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 for a term commencing from 1 January 2022 to 31 December 2024.

According to the Financial Services Agreement, the proposed annual caps in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Bailian Finance are RMB1.2 billion for each of the three years ending 31 December 2024, and the proposed annual caps in respect of the maximum transaction amounts for other services payable by the Company to Bailian Finance are RMB5 million for each of the three years ending 31 December 2024.

As the highest applicable percentage ratio in relation to the provision of deposit services under the Financial Services Agreement is more than 25%, the provision of deposit services under the Financial Services Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio for the highest proposed annual cap 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, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for other services provided by Bailian Finance to the Company is more than 0.1% but less than 5%, other services provided by Bailian Finance to the Company under the Financial Services Agreements are 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.

The loan services to be provided by Bailian Finance to the Group under the Financial Services Agreement 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 fully exempt from all reporting, annual review, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The provision of deposit services under the Financial Services Agreement and its proposed annual caps were approved by the independent Shareholders at the extraordinary general meeting on 2 December 2021.

Please refer to the announcements of the Company dated 8 October 2018 and 24 September 2021, and the circulars of the Company dated 26 October 2018 and 26 October 2021 respectively for relevant details of the transactions.

Continuing Connected Transactions – Supply of Goods Framework Agreement and Procurement of Goods Framework Agreement

On 8 October 2018, the Company entered into the Supply of Goods Framework Agreement (the "Supply of Goods Framework Agreement") with Bailian Group, pursuant to which, Bailian Group agreed to supply various kinds of goods, including but not limited to fresh produce, food and industrial products, for sales in the outlets of the Group for a term of three years commencing from 1 January 2019 to 31 December 2021 (both days inclusive).

The Company and/or its subsidiaries and Bailian Group and/or its associates will enter into individual supply of goods contracts setting out specific terms. Such terms will be consistent with the principles and the terms of the Supply of Goods Framework Agreement. If there is any discrepancy between the terms of an individual supply of goods contract and the Supply of Goods Framework Agreement, the latter shall prevail.

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 than those available from independent third parties.

Depending on the specific goods to be procured and the practices of Bailian Group and/or its associates, the actual payments for the sale of the goods under the Supply of Goods Framework Agreement are to be made on a monthly or agreed period basis (which 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 available from 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.

Bailian Group is a substantial Shareholder and is a connected person of the Company. Therefore, the transactions contemplated under the Supply of Goods Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

It is expected that the maximum aggregate annual transaction amounts under the Supply of Goods Framework Agreement for each of the three years ending 31 December 2021 are RMB150 million, RMB170 million and RMB200 million, respectively.

As the highest applicable percentage ratio for the highest proposed annual cap under the Supply of Goods Framework Agreement is more than 5%, the transactions contemplated under the Supply of Goods Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Supply of Goods Framework Agreement and the continuing connected transactions and the annual caps contemplated thereunder were approved by the independent Shareholders at the extraordinary general meeting on 26 November 2018.

As it is expected that the existing annual caps under the Supply of Goods Framework Agreement for the two years ending 31 December 2021 will not be sufficient for the Company's current requirements based on internal estimation and that the Company will continue to procure goods supplied by Bailian Group in its ordinary and usual course of business, the Company entered into the Procurement of Goods Framework Agreement (the "Procurement of Goods Framework Agreement") with Bailian Group on 16 April 2020 to revise the existing annual caps for the two years ending 31 December 2021 and to set the annual cap for the year ending 31 December 2022.

The Procurement of Goods Framework Agreement proposes to revise the existing annual caps for the two years ending 31 December 2021 under the Supply of Goods Framework Agreement from RMB170 million and RMB200 million, respectively, to RMB500 million and RMB600 million, respectively. The proposed annual cap for the year ending 31 December 2022 is RMB700 million.

As the highest applicable percentage ratio (as defined in the Listing Rules) for the highest proposed annual cap under the Procurement of Goods Framework Agreement is more than 5%, the transactions contemplated under the Procurement of Goods Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Procurement of Goods Framework Agreement and the continuing connected transactions and the annual caps contemplated thereunder were approved by the independent Shareholders at the annual general meeting on 22 June 2020.

The actual transaction amount under the Procurement of Goods Framework Agreement for the year ended 31 December 2021 is approximately RMB354,190.6 thousand.

Please refer to the announcements of the Company dated 8 October 2018 and 16 April 2020, and the circulars of the Company dated 26 October 2018 and 8 May 2020 for relevant details of the transaction.

Continuing Connected Transactions – Framework Agreement between the Company and Bailian Group from 2019 to 2021

On 8 October 2018, the Company entered into various framework agreements with Bailian Group in respect of various transactions from 2019 to 2021, including transactions of smart cards arrangement, leasing and property management respectively.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
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 in the market 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. The fee payable under the Smart Cards Arrangement Agreement is to be made by cash on a monthly basis.	The maximum fee payable by Bailian Group to the Company for each of the three years ending 31 December 2021 is RMB20 million, whereas the maximum fee payable by the Company to Bailian Group for each of the three years ending 31 December 2021 is RMB20 million.	The actual fees paid by Bailian Group to the Company for the year ended 31 December 2021 is RMB5,532.6 thousand, whereas the actual fees paid by the Company to Bailian Group for the year ended 31 December 2021 is RMB15,096.4 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
	The relevant subsidiaries of the parties will enter into individual smart cards arrangement contracts setting out specific terms for the arrangement, including the technologies 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 discrepancy between the terms of an individual smart cards arrangement contract and the Smart Cards Arrangement Agreement, the latter shall prevail.			

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
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 parties and/or its subsidiaries will enter into individual leasing contracts setting out specific terms of leasing including the details of 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 discrepancy between the terms of an individual leasing contract and the Leasing Framework Agreement, the latter shall prevail.	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 prices of similar properties in same locations from time to time. Depending on the specific conditions of transactions contemplated under the individual leasing contracts, the fee payable under the individual leasing contracts is to be made by bank transfer 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.	The maximum aggregate annual amount of the transactions under the leasing framework agreement for each of the three years ending 31 December 2021 is RMB9 million.	The actual transaction amount of the transactions under the leasing framework agreement for the year ended 31 December 2021 is RMB6,446.5 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
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 Group including offices and retail stores for a term of three years commencing from 1 January 2019 to 31 December 2021.	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. Depending on the different sizes of the properties managed, the different amounts of the annual property management fee and the business scale of the counterparties, the fee payable under the Property Management Framework Agreement is to be made by bank transfer 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 than those available from independent third parties.	The maximum aggregate annual amount of the transactions under the property management framework agreement for each of the three years ending 31 December 2021 is RMB18 million.	The actual transaction amount of the transactions under the property management framework agreement for the year ended 31 December 2021 is RMB15,096.4 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
	The parties and/or its subsidiaries 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 discrepancy between the terms of an individual property management contract and the Property Management Framework Agreement, the latter shall prevail.			

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

Bailian Group is a substantial Shareholder. Accordingly, Bailian Group is a connected person of the Company and the abovementioned framework agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratios for the smart cards arrangement agreement, the leasing framework agreement and the property management framework agreement are more than 0.1% but less than 5%, the transactions contemplated thereunder are 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.

On 24 September 2021, the Company renewed various framework agreements with Bailian Group in respect of various transactions from 2022 to 2024, including transactions of smart cards arrangement, leasing and property management respectively.

The maximum annual total transaction amount payable by Bailian Group to the Company under the smart card arrangement agreement for each of the three years ending 31 December 2024 is RMB20 million, the maximum annual total transaction amount payable by the Company to Bailian Group under the smart card arrangement agreement is RMB20 million for each of the three years ending 31 December 2024.

The maximum aggregate annual transaction amounts in respect of leasing services provided by Bailian Group and/or its subsidiaries under the leasing framework agreement for each of the three years ending 31 December 2024 are RMB9 million. As the Hong Kong Financial Reporting Standard 16 Leases has become effective on 1 January 2019 and applied to financial years beginning on or after 1 January 2019, with respect to the continuing connected transactions under the leasing framework agreement, the Company is required to set an annual cap on the value of right-of-use assets for the three years ending 31 December 2024. The right-of-use assets should be initially measured at estimated cost and be depreciated on a straight line basis over the lease term. The annual caps for the value of right-of-use assets under the leasing framework agreement for each of the three years ending 31 December 2024 is RMB38 million.

The maximum aggregate annual transaction amounts under the property management framework agreement for each of the three years ending 31 December 2024 are RMB18 million.

As the highest applicable percentage ratios for the smart cards arrangement agreement, the leasing framework agreement and the property management framework agreement are more than 0.1% but less than 5%, the transactions contemplated thereunder are 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 announcements of the Company dated 8 October 2018 and 24 September 2021 for relevant details.

Continuing Connected Transactions – Sales Agency Framework Agreement

On 8 October 2018, the Company entered into the Sales Agency Framework Agreement (the "Sales Agency Framework Agreement") with Bailian Omni-channel E-commerce Co., Ltd. ("Bailian Omni-channel"), pursuant to which, Bailian Omni-channel agreed to sell the goods (namely, food, washing detergent, fresh produce, home textiles, home appliances and miscellaneous items) (the "Goods") on behalf of the Group through its e-commerce platform for a term of three years commencing from 1 January 2019 to 31 December 2021.

The parties and/or its subsidiaries will enter into individual sales agency contracts setting out specific terms including the transaction price determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Sales Agency Framework Agreement. If there is any discrepancy between the terms of an individual sales agency contract and the Sales Agency Framework Agreement, the latter shall prevail.

The Company or its subsidiaries has the sole discretion to set the selling prices of the Goods (the "Selling Prices") to be sold on the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries. The prices at which the Company or its subsidiaries charges Bailian Omni-channel and/or its subsidiaries for the supply of the Goods is the same as the Selling Prices.

After Bailian Omni-channel and/or its subsidiaries receives an order from the end customer on its e-commerce platform, it will notify the Company or its subsidiaries of the order. Upon receiving such notification, the Company or its subsidiaries will deliver the Goods through a third party logistic company directly to the end-customer. Once the Goods have been delivered, Bailian Omni-channel and/or its subsidiaries will be notified. The Company will issue an invoice to Bailian Omni-channel with respect to all the orders that have been completed based on the Selling Prices every month and Bailian Omni-channel will arrange for payment accordingly.

The Selling Prices are set solely by the Company or its subsidiaries with reference to the prevailing prices of the comparable Goods sold at the outlets of the Group during the same period and as such, the Selling Prices are subject to the same pricing policies as that of the Group with respect to its outlets. This would ensure that the Selling Prices would not be less favourable than those available from independent third parties in real-time.

The Company agrees to pay Bailian Omni-channel the platform usage fee which is equivalent to 4% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through their e-commerce platforms during the term of the Sales Agency Framework Agreement. Other than the platform usage fee, Bailian Omni-channel and/or its subsidiaries do not charge the Company or its subsidiaries any additional fees or charges for the use of their e-commerce platforms and the price charged by the Company or its subsidiaries for the supply of Goods to Bailian Omni-channel and/or its subsidiaries is the same as the Selling Prices of the Goods sold on the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries.

Depending on the specific conditions of transactions contemplated under the individual sales agency contracts, the platform usage fee payable by the Company or its subsidiaries to Bailian Omni-channel and/or its subsidiaries and the Selling Prices payable by Bailian Omni-channel and/or its subsidiaries to the Company or its subsidiaries under the individual sales agency contracts are to be made by bank transfer on a monthly or agreed period basis and shall be consistent with the market payment terms of purchasing such particular type of Goods.

The transactions contemplated under the Sales Agency Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Omni-channel on normal commercial terms and on terms not be less favourable than those available from independent third parties.

Bailian Group is a substantial Shareholder of the Company, Bailian Omni-channel is a wholly-owned subsidiary of Bailian Group. Accordingly, Bailian Omni-channel is a connected person of the Company. Therefore, the transactions under the Sales Agency Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum aggregate annual transaction amounts in respect of the Goods to be sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group under the Sales Agency Framework Agreement for each of the three years ending 31 December 2019, 2020 and 2021 are RMB1.3 billion, RMB2 billion and RMB2.8 billion, respectively.

The maximum platform usage fee payable by the Group under the Sales Agency Framework Agreement for each of the three years ending 31 December 2019, 2020 and 2021 are RMB52 million, RMB80 million and RMB112 million, respectively.

As the highest applicable percentage ratio for the highest annual cap under the Sales Agency Framework Agreement is more than 5%, the transactions contemplated under the Sales Agency Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Sales Agency Framework Agreement and the continuing connected transactions and the annual caps contemplated thereunder were approved by the independent Shareholders at the extraordinary general meeting on 26 November 2018.

The actual transaction amount in respect of the goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group under the Sales Agency Framework Agreement for the year ended 31 December 2021 is approximately RMB708,499.8 thousand. The actual platform usage fee paid by the Group under the Sales Agency Framework Agreement for the year ended 31 December 2021 is approximately RMB33,365.8 thousand.

On 8 October 2021, the Company renewed the Sales Agency Framework Agreement with Bailian Omni-channel, pursuant to which, Bailian Omni-channel agreed to sell the Goods on behalf of the Group through its e-commerce platform for a term of one year commencing from 1 January 2022 to 31 December 2022.

Bailian Omni-channel will settle the Selling Prices once the Company issues an invoice to Bailian Omni-channel for the sales of Goods on its e-commerce platform, while the Company will pay Bailian Omni-channel the platform usage fee which is (i) equivalent to 4% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries through the main site of their e-commerce platforms and shall not exceed 4% of the sales budget of the Goods, and the payment handling fees paid by the Company to Bailian Omni-channel shall be charged on a cost-incurred basis and shall not exceed 0.5% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries through the main site of their e-commerce platforms; and (ii) equivalent to 1% of the total transaction amount of Goods sold by third-parties through the main site of the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries during the term of the Sales Agency Framework Agreement.

The maximum aggregate annual transaction amount in respect of the Goods to be sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group under the Sales Agency Framework Agreement for the year ending 31 December 2022 is RMB1.6 billion. The maximum platform usage fee payable by the Group under the Sales Agency Framework Agreement for the year ending 31 December 2022 is RMB50 million.

As the highest applicable percentage ratio for the highest proposed annual cap under the Sales Agency Framework Agreement is more than 5%, the transactions contemplated under the Sales Agency Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The sales agency framework agreement and the continuing connected transactions and the annual caps contemplated thereunder were approved by the independent Shareholders at the extraordinary general meeting on 2 December 2021.

Please refer to the announcements of the Company dated 8 October 2018 and 24 September 2021, and the circulars of the Company dated 26 October 2018 and 26 October 2021, respectively for relevant details of the transaction.

Continuing Connected Transactions – Membership Points Agency and Settlement Service Agreement

On 8 October 2018, the Company entered into the Membership Points Agency and Settlement Service Agreement (the "Membership Points Agency and Settlement Service Agreement") with Bailian Finance, pursuant to which, Bailian Finance agreed to provide the Group with deposit, withdrawal and settlement services for the membership points of the Company for a term of three years commencing from 1 January 2019 to 31 December 2021.

According to the Membership Points Agency and Settlement Service Agreement, Bailian Finance will (i) in accordance with the instructions of the Company, withdraw corresponding fees from the Company's relevant account in Bailian Finance and transfer the same to Bailian Finance's settlement account based on the membership points granted by the Company; and (ii) in accordance with the instructions of the Company, transfer corresponding fees to the Company's relevant account in Bailian Finance from Bailian Finance's settlement account based on the membership points received by the Company. The membership points granted by the Company and Bailian Group and their respective subsidiaries can be used by customers in purchasing goods or services from the Company and Bailian Group and their respective subsidiaries.

The parties and/or its subsidiaries will enter into individual membership points agency and settlement service contracts setting out specific terms of the provision of deposit, withdrawal and settlement services for membership points including the principles of service fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Membership Points Agency and Settlement Service Agreement. If there is any discrepancy between the terms of an individual membership points agency and settlement service contract and the Membership Points Agency and Settlement Service Agreement, the latter shall prevail.

The maximum aggregate annual transaction amounts to be withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for each of the three years ending 31 December 2021 are RMB30 million.

The maximum aggregate annual amounts to be transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement (including the interests to be paid by Bailian Finance) for each of the three years ending 31 December 2021 are RMB30 million.

Bailian Group is a substantial shareholder of the Company and Bailian Finance is a subsidiary of Bailian Group. Accordingly, Bailian Finance is a connected person of the Company. Therefore, the transactions under the Membership Points Agency and Settlement Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the transactions under the Membership Points Agency and Settlement Service Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are 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.

The actual amount withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for the year ended 31 December 2021 is approximately RMB13,019.0 thousand. The actual amount (including interests paid by Bailian Finance) transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement for the year ended 31 December 2021 is approximately RMB19,235.2 thousand.

On 24 September 2021, the Company renewed the Membership Points Agency and Settlement Service Agreement with Bailian Finance, pursuant to which, Bailian Finance agreed to provide the Group with deposit, withdrawal and settlement services for the membership points of the Company for a term of three years commencing from 1 January 2022 to 31 December 2024.

The maximum aggregate annual transaction amounts to be withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for each of the three years ending 31 December 2024 are RMB30 million. The maximum aggregate annual amounts to be transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement (including the interests to be paid by Bailian Finance) for each of the three years ending 31 December 2024 are RMB30 million.

As the highest applicable percentage ratio for the transactions under the Membership Points Agency and Settlement Service Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Membership Points Agency and Settlement Service Agreement are 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 announcements of the Company dated 8 October 2018 and 24 September 2021 for relevant details of the transactions.

Continuing Connected Transactions – Property Leasing Framework Agreement

On 8 October 2018, the Company entered into the Property Leasing Framework Agreement (the "Property Leasing Framework Agreement") with Bailian Group, pursuant to which, the Company (and/or its subsidiaries) agreed to lease properties to Bailian Group (and/or its subsidiaries) for use as offices or other purposes.

The parties will enter into individual property leasing agreements setting out specific terms including the transaction price determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Property Leasing Framework Agreement. If there is any discrepancy between the terms of an individual property leasing agreements and the Property Leasing Framework Agreement, the latter shall prevail.

The rental of the properties leased by the Company to Bailian Group under the Property 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 prices of comparable properties in same locations from time to time.

Depending on the specific usages of different properties, their specific locations, amount of the annual rent and the business scale of the counterparties, the rentals payable by Bailian Group under the Property Leasing Framework Agreement are to be made by bank transfer on a monthly, quarterly, half-yearly or yearly basis and shall be consistent with the market payment terms of leasing the comparable properties.

The transactions contemplated under the Property 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 than those available from independent third parties.

Bailian Group is a substantial Shareholder of the Company. Accordingly, Bailian Group is a connected person of the Company. Therefore, the transactions under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum aggregate annual transaction amount in respect of the lease of the properties to Bailian Group by the Company under the Property Leasing Framework Agreement for each of the three years ending 31 December 2021 is RMB5 million.

As the highest applicable percentage ratios for the transactions under the Property Leasing Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are 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.

The actual transaction amount of the transactions under the Property Leasing Framework Agreement for the year ended 31 December 2021 is approximately RMB2,545.7 thousand.

On 24 September 2021, the Company renewed the Property Leasing Framework Agreement with Bailian Group, pursuant to which, the Company (and/ or its subsidiaries) agreed to lease properties to Bailian Group and/or its subsidiaries (including but not limited to Bailian Financial Services Co., Ltd. and Shanghai Bailian) for use as shopping mall, offices or other purposes for a term commencing from 1 January 2022 to 31 December 2024.

The maximum aggregate annual transaction amounts in respect of the lease of the properties to Bailian Group by the Company under the Property Leasing Framework Agreement for each of the three years ending 31 December 2024 are RMB38 million.

As the highest applicable percentage ratio for the transactions under the Property Leasing Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are 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 announcements of the Company dated 8 October 2018 and 24 September 2021 for relevant details of the transaction.

Continuing Connected Transactions – Warehouse Leasing Framework Agreement

On 5 December 2019, the Company entered into the Warehouse Leasing Framework Agreement (the "Warehouse Leasing Framework Agreement") with Bailian Group, pursuant to which, the Company agreed to lease warehouses to Bailian Group for use as warehouses, offices or other purposes, for a term commencing from 1 January 2020 to 31 December 2022 (both days inclusive).

Both parties are entitled to conduct specific negotiations regarding the warehouse leasing business cooperation and are allowed to enter into individual lease agreements regarding the warehouse leasing business cooperation. The Company and Bailian Group will be allowed to authorise their subordinate operating units to perform the individual warehouse leasing business cooperation and to assume the relevant obligations. These authorised subordinate operating units are entitled to enter into, and execute, individual lease agreements regarding the warehouse leasing business cooperation. Individual lease agreements regarding the warehouse leasing business cooperation shall be subject to the principles and the terms of the Warehouse Leasing Framework Agreement. If there is any conflict between the terms of any such individual lease agreements and the Warehouse Leasing Framework Agreement, the latter shall prevail.

The rental of warehouses leased by the Company to Bailian Group under the Warehouse Leasing Framework Agreement is determined principally on arm's length commercial negotiations according to the principles of fairness and reasonableness with reference to the market rental of comparable properties.

Individual lease agreements to be entered into during the term of the Warehouse Leasing Framework Agreement regarding the warehouse leasing business cooperation should set out clearly the specific terms including the price determination method, settlement method, payment terms and timing of payment. Depending on the specific conditions of the transactions contemplated under the individual lease agreements, the rental payment under the specific lease agreements should be made by bank transfer on a monthly or agreed basis.

The transactions contemplated under the Warehouse 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 to the Company than those available to independent third parties.

Bailian Group is a substantial Shareholder of the Company and therefore is a connected person of the Company. As such, the transactions contemplated under the Warehouse Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The respective maximum annual rental payable by Bailian Group to the Company for the three financial years ending 31 December 2022 under the Warehouse Leasing Framework Agreement are RMB60,000,000.

As the highest applicable percentage ratio for the transactions contemplated under the Warehouse Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Warehouse Leasing Framework Agreement is subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount paid by Bailian Group under the Warehouse Leasing Framework Agreement for the year ended 31 December 2021 is approximately RMB14,149.9 thousand.

Please refer to the announcement of the Company dated 5 December 2019 for relevant details of the transaction.

Continuing Connected Transactions – Leasing 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 ended 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. The annual rent (including the basic rent, the turnover rent and management fees) under the lease agreement for each of the three years ended 31 December 2014 is subject to an annual cap of RMB20,000,000, details of which are set out in the announcement of the Company dated 28 November 2011.

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 23 December 2014, the Board announced that the estimate annual rental payable (including the basic rent, the turnover rent and management fees) by Century Lianhua under the lease agreement for each of the three years ended 31 December 2017 will be subject to an annual cap of RMB16,000,000, 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 in view of the consumption power of the residents in the neighbourhood of the premise, the customer attraction capability of the business district where the premise locates in as well as the anticipated rises in prices of consumer goods in the PRC for the three years ending 31 December 2017.

On 28 November 2017, the Board announced that the estimate annual rental payable (including the basic rent, the turnover rent and management fees) by Century Lianhua under the lease agreement for each of the three years ending 31 December 2020 will be subject to an annual cap of RMB16,000,000, 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 in view of the consumption power of the residents in the neighbourhood of the premise, the customer attraction capability of the business district where the premise locates in as well as the anticipated rises in prices of consumer goods in the PRC for the three years ending 31 December 2020.

The actual rental paid by Century Lianhua under the lease agreement for the year ended 31 December 2021 are approximately RMB9,125.1 thousand.

On 24 December 2020, 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 four years ending 31 December 2024 in view of the consumption power of the residents in the neighbourhoods of the Premises, the customer traffic of the business circle in which the Premises are located as well as the anticipated rises in prices of consumer goods in the PRC for the four years ending 31 December 2024, the Board would like to announce that the estimated annual rental payable (including the Basic Rent, Turnover Rent and management fees) under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 will be subject to an annual cap of RMB16,000,000.

As the Hong Kong Financial Reporting Standard 16 Leases has become effective on 1 January 2019 and applied to financial years beginning on or after 1 January 2019, with respect to the continuing connected transactions under the Shanghai Xianxia Leasing Agreement, the Company is required to set an annual cap on the value of right-of-use assets in accordance with the requirements of The Stock Exchange of Hong Kong Limited. The right-of-use assets should be initially measured at estimated cost and be depreciated on a straight line basis over the lease term. The annual cap for the value of right-of-use assets under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 is RMB23,700,000.

Please refer to the announcements of the Company dated 28 November 2017 and 24 December 2020 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, RMB3,308,000 per year and RMB3,473,000 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 Friendship, a direct holding company of the Company and thus such transactions constitute continuing connected transactions of the Company.

The actual rent (inclusive of management fee) under the lease agreement and supplemental lease agreement with Homemart for the year ended 31 December 2021 is approximately RMB3,214.3 thousand.

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:

Period	Annual caps under the supplemental lease agreement (RMB)
For the year ended 31 December 2009	6,195,000.00
For the year ended 31 December 2010	6,166,125.00
For each of the two years ended 31 December 2012	6,394,500.00
For the year ended 31 December 2013	6,474,431.30
For each of the two years ending 31 December 2015	6,714,225.20
For the year ended 31 December 2016	6,798,153.00
For each of the two years ended 31 December 2018	7,049,936.40
For the year ended 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 actual rent paid by Century Lianhua to Shanghai Di Lin and the management fees paid by Century Lianhua to Homemart under the lease agreement and the supplemental lease agreement for the year ended 31 December 2021 are approximately RMB3,062.4 thousand.

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 RMB3,011,000 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 Friendship, and thus such transaction constitutes continuing connected transactions of the Company.

The actual rent fee under the lease agreement paid by Century Lianhua to Bailian Central for the year ended 31 December 2021 is approximately RMB13,886.7 thousand.

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 of the transaction (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
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 actual rent fee under the lease agreement paid by Century Lianhua to Bailian Nanqiao for the year ended 31 December 2021 is approximately RMB3,705.0 thousand.

The lease agreement dated 1 July 2010 was entered into between Century Lianhua as the lessee and Shanghai Bailian Jinshan Shopping Centre Co., Ltd. (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 of the transaction** (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 Friendship (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.

The actual rent fee under the lease agreement paid by Century Lianhua to Bailian Jinshan for the year ended 31 December 2021 is approximately RMB6,718.5 thousand.

Continuing Connected Transactions – Leasing Agreements

On 15 July 2011, Shanghai Century Lianhua Yuqiao Shopping Centre Ltd. ("Lianhua Yuqiao", 上海世紀聯華御橋購物廣場有限公司) as the lessor and 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 Friendship (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.

The actual transaction amount of the transactions under the lease agreement between Lianhua Yuqiao and Shanghai Bailian for the year ended 31 December 2021 is approximately RMB28,013.3 thousand.

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) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not, in all material respects, conducted in accordance with the relevant agreements of the transactions;

(3) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Company; and

(4) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have exceeded the respective cap for each transaction.

By order of the Board

Pu Shao-hua
Chairman

28 March 2022
Shanghai, the PRC

Report of Corporate Governance

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. Therefore, the Company has adopted the principles in the Code on Corporate Governance 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 Articles of Association, internal rules and regulations and the corporate governance implementation practices.

The Board is pleased to confirm that save 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 deviations, 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 deviations are set out as follows:

Provision B.2.2 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 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.

The code provision C.1.6 of the Code is regarding the non-executive directors' regular attendance and active participation in board meetings and general meetings.

Ms. Zhang Shen-yu, a non-executive Director, was unable to attend the fourth meeting of the seventh session of the Board convened on 29 March 2021 by the Company due to her other business commitments.

Ms. Zhang Shen-yu, a non-executive Director, and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the fifth meeting of the seventh session of the Board convened on 17 June 2021 by the Company due to their other business commitments.

Ms. Xu Zi-ying, a then non-executive Director, was unable to attend the sixth meeting of the seventh session of the Board convened on 30 August 2021 by the Company due to her other business commitments.

Ms. Zhang Shen-yu, a non-executive Director, was unable to attend the seventh meeting of the seventh session of the Board convened on 2 December 2021 by the Company due to her other business commitments.

Ms. Zhang Shen-yu, a non-executive Director, and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the 2020 annual general meeting of the Company convened on 17 June 2021 (the "2020 AGM") due to their other business commitments.

Ms. Zhang Shen-yu, a non-executive Director, was unable to attend the 2021 extraordinary general meeting of the Company convened on 2 December 2021 (the "2021 EGM") due to her other business commitments.

Mr. Xu Hong, a then non-executive Director, and Mr. Wong Tak Hung, a non-executive Director, were unable to attend the eighth meeting of the seventh session of the Board convened on 28 March 2022 by the Company due to their other business commitments.

Mr. Wong Tak Hung, a non-executive Director, was unable to attend the ninth meeting of the seventh session of the Board convened on 28 March 2022 by the Company due to his other business commitments.

After receiving the relevant materials for the Board meetings, the above mentioned Directors have authorized other Directors 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 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 2020 AGM and 2021 EGM (collectively referred to as the "2021 General Meeting") to all members of the Board before the 2021 General Meeting. All ordinary resolutions considered at the 2021 General Meeting were passed smoothly. The Company sent the related minutes of the 2021 General Meeting to all members of the Board after the 2021 General Meeting so that the Directors who were was unable to attend the meeting was able to understand the resolutions passed at the meeting.

The Board

During the period under review, the Board consists of 11 Directors, one of whom is an executive Director 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. At least one of the independent non-executive Directors holds appropriate professional qualifications or accounting or related financial management expertise. Profiles and particulars of the chairman of the Company and other Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

As approved at the 2019 AGM on 22 June 2020, the seventh 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 the annual general meeting of the Company for the year 2022. Corresponding to the term of office, all the 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 2022, and such term is renewable subject to the laws and regulations. The names of the Directors referred herein are members of the seventh session of the Board as at the date of this report.

The principal responsibilities of the Board include:

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

– being responsible for the internal control system of the Company and reviewing its efficiency;

– being ultimately responsible for the preparation of accounts of the Company and assessing the Company's performance, financial position and prospects in a balanced, clear and comprehensible manner. Such responsibility is applicable 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, major 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

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

Board Meetings and General Meeting

The Company held four Board meetings, one 2020 AGM and one 2021 EGM during the year. Attendance record of the Directors is as follows:

	Meetings Attended/Held		
Directors	**Board Meetings**	**2020 AGM**	**2021 EGM**
Executive Directors			
Mr. Xu Tao (Note 1)	1/1	–	–
Mr. Chong Xiao-bing (Note 2)	3/3	1/1	1/1
Non-executive Directors			
Mr. Ye Yong-ming (Note 3)	2/3	1/1	–
Mr. Pu Shao-hua *(chairman)* (Note 4)	1/1	–	1/1
Ms. Xu Zi-ying (Note 5)	3/3	1/1	–
Mr. Shi Xiao-long *(vice chairman)* (Note 6)	1/1	–	1/1
Mr. Xu Hong	4/4	1/1	1/1
Ms. Zhang Shen-yu	1/4	0/1	0/1
Mr. Dong Xiao-chun	4/4	1/1	1/1
Mr. Wong Tak Hung	4/4	1/1	1/1
Independent Non-executive Directors			
Mr. Xia Da-wei	4/4	1/1	1/1
Mr. Lee Kwok Ming, Don	3/4	0/1	1/1
Mr. Chen Wei	4/4	1/1	1/1
Mr. Zhao Xin-sheng	4/4	1/1	1/1

Notes:

1. Mr. Xu Tao resigned from the office of executive Director on 23 April 2021.

2. Mr. Chong Xiao-bing was appointed as executive Director on 23 April 2021.

3. Mr. Ye Yong-ming resigned from the office of non-executive Director and Chairman on 12 November 2021.

4. Mr. Pu Shao-hua was appointed as non-executive Director and the Chairman on 12 November 2021.

5. Ms. Xu Zi-ying resigned from the office of non-executive Director and Vice Chairman on 12 November 2021.

6. Mr. Shi Xiao-long was appointed as non-executive Director and Vice Chairman on 12 November 2021.

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

In addition to the abovementioned 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)) exists 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 arranged trainings on the Listing Rules for its Directors. Relevant training materials were 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 Director			
Mr. Chong Xiao-bing	✓	✓	
Non-executive Directors			
Mr. Pu Shao-hua	✓	✓	
Mr. Shi Xiao-long	✓	✓	
Mr. Xu Hong	✓	✓	
Ms. Zhang Shen-yu	✓		
Mr. Dong Xiao-chun	✓	✓	
Mr. Wong Tak Hung	✓		
Independent Non-executive Directors			
Mr. Xia Da-wei	✓	✓	
Mr. Lee Kwok Ming, Don	✓	✓	
Mr. Chen Wei	✓		
Mr. Zhao Xin-sheng	✓	✓	

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 appointments by the Board 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; 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. The Nomination Committee is of the view that the Board has realized a diversified and balanced combination and is suitable for the business of the Group. The proportion of female members on the Board of the Company is currently 9% and the proportion of female employees on the Company's entire workforce is 68%.

Duties of the Board and the Management of the Company

During the period under review, the position of Chairman is assumed by Mr. Pu Shao-hua while the position of Manager (equivalent to "chief executive officer" under the Listing Rules) of the Company was assumed by Mr. Chong Xiao-bing, which complies with the requirement of Provision C.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) take 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) formulate the internal organizational structure plan of the Company;

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

(5) formulate the basic rules of the Company;

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

(7) appoint or remove management personnel except for those required to be appointed or removed by the Board;

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

(9) determine 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) exercise other powers conferred by the Articles of Association or delegated by the Board.

Board Committees

The Company 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 22 June 2020, the seventh session of the Board was established. On the same day, the Board established the seventh session of the Board Committees in accordance with the requirements of the Code. A meeting of the Board of Directors was held on 17 June 2021 at which the seventh session of Environmental, Social and Governance (ESG) Committee was elected and established to guide and review the formulation of the Company's ESG policies and strategies to ensure that they are up-to-date, relevant and meet applicable legal and regulatory requirements. As at the end of the period under review, members of each of the seventh session of the Board Committees are as follows:

Board Committees	Members				
The Audit Committee	Mr. Lee Kwok Ming, Don *(Chairman)*	Mr. Xia Da-wei	Mr. Zhao Xin-sheng	Mr. Dong Xiao-chun	–
The Remuneration and Appraisal Committee	Mr. Xia Da-wei *(Chairman)*	Mr. Shi Xiao-long	Mr. Chen Wei	Mr. Zhao Xin-sheng	–
The Strategic Committee	Mr. Pu Shao-hua *(Chairman)*	Mr. Shi Xiao-long	Mr. Chong Xiao-bing	Mr. Xu Hong	Ms.Zhang shen-yu
The Nomination Committee	Mr. Pu Shao-hua *(Chairman)*	Mr. Chen Wei	Mr. Xia Da-wei	Mr. Zhao Xin-sheng	–
The Environmental, Social and Governance (ESG) Committee	Mr. Chong Xiao-bing *(Chairman)*	Ms.Zhang shen-yu	Mr. Lee Kwok Ming, Don	Mr. Chen Wei	

Notes:

(1) The term of those current Directors above will end on the date of conclusion of the annual general meeting of the Company for the year 2022.

(2) Mr. Xu Tao resigned from the office of a executive Director and a member of the Strategic Committee on 23 April 2021. Mr. Chong Xiao-bing was appointed as a executive Director and a member of the Strategic Committee on 23 April 2021.

(3) Mr. Ye Yong-ming resigned from the office of a non-executive Director, a member and the chairman of the Strategic Committee and a member and the chairman of the Nomination Committee on 12 November 2021. Mr. Pu Shao-hua was appointed as a non-executive Director, a member and the chairman of the Strategic Committee and a member and the chairman of the Nomination Committee on 12 November 2021.

(4) Ms. Xu Zi-ying resigned from the office of a non-executive Director, a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee on 12 November 2021. Mr. Shi Xiao-ling was appointed as a non-executive Director, a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee on 12 November 2021.

(5) The Environmental, Social and Governance (ESG) Committee established by the Company on 17 June 2021, Mr. Chong Xiao-bing, Ms. Zhang Shen-yu, Mr. Lee Kwok Ming, Don and Mr. Chen Wei were appointed as members of the Environmental, Social and Governance (ESG) Committee, Mr. Chong Xiao-bing was appointed as the chairman of the Environmental, Social and Governance (ESG) Committee.

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

Audit Committee

The Board passed a resolution on 22 June 2020 to establish the seventh session of the Audit Committee. The Audit Committee currently comprises four members, including three independent non-executive Directors (including the chairman) and one non-executive Director. 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 are:

(a) responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving 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) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process. The committee should discuss with the auditor on 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 Audit Committee should report to the Board, identify and make recommendations on any matters where action or improvement is needed;

(d) to monitor the integrity of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review financial statements and significant financial reporting judgements contained in above mentioned reports. Before submitting the relevant accounts and reports to the Board, the Audit Committee should review particularly: (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 and 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) to 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) to discuss the scope and quality of 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 of accounting and financial reporting, training programmes and budget of the Company's accounting and financial reporting function;

(h) to 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) to 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 has adequate resource and has appropriate standing within the Group;

(j) to 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) to discuss with external auditors about any recommendations arising from the audit (if necessary in the absence of management); and review the draft suggestions to the management by the auditor regarding the auditing ("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 queries raised;

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

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

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

(q) to 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; inquiry into whether there have been any disagreements between external auditors and management which, if not satisfactorily resolved, would result in the issuance of a report with qualification on the Group's financial statements;

(r) to 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 generally 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 Audit Committee is required;

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

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

(v) to reach agreement with the Board on 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 Audit Committee will consider whether such hiring will bring any impairment to the auditor's judgment or independence in respect of its auditing;

(w) to make available the terms of reference of the Audit Committee, explain 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) to consider and be responsible for other topics, as requested or delegated by the Board.

During the year ended 31 December 2021, 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 held a meeting on 17 March 2021 to review and discuss matters including the internal control of the Group, annual financial reports, remuneration and re-appointment of domestic and international auditors and continuing connected transactions for 2020, 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 2020 had complied with the applicable 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 risk management and internal control system of the Company and its subsidiaries and was of the view that the Group had an effective risk management and internal control system. The Audit Committee was of the view that domestic and international auditors 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 2020 and suggested to re-appoint the domestic and international auditors for 2021. The Audit Committee confirmed that the continuing connected transactions of the Company in 2020 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 held a meeting on 19 August 2021 to review and discuss with the management the matters including internal controls and interim financial report, including the review of the Company's condensed interim financial 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 2021 had complied with the applicable accounting standards, requirements of the Stock Exchange and relevant laws, and had made adequate disclosures. In relation to its review of the Group's internal audit function, risk management and internal control, the Audit Committee concluded that the Group's internal audit function, risk management and internal control system were 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 records of the members of the Audit Committee in 2021:

Name	17 March 2021	19 August 2021
Independent Non-executive Directors		
Mr. Lee Kwok Ming, Don *(Chairman)*	Present	Present
Mr. Xia Da-wei	Present	Present
Mr. Zhao Xin-sheng	Present	Present
Non-executive Director		
Mr. Dong Xiao-chun	Present	Present

Remuneration and Appraisal Committee

On 22 June 2020, the Board passed a resolution to establish the seventh 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 non-executive Director. The primary duties, roles and functions of the Remuneration and Appraisal Committee are:

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

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

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

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

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

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

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

(j) to 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) to 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) to approve the terms of executive Directors' service contracts;

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

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

(o) other responsibilities authorized by the Board.

During the year ended 31 December 2021, the Remuneration and Appraisal Committee held two meetings and performed major work including determining the policy for the remuneration of Directors, assessing the performance of the executive Director and senior management of the Company, approving the terms of executive Directors' service contracts and making recommendations to the Board on their remuneration packages.

The Remuneration and Appraisal Committee held a meeting on 25 March 2021. Having taken into account the factors including, but not limited to, the remuneration paid by comparable companies, time commitment of the Director and the Director's duties, hiring standards of other positions within the Group and performance-based remuneration, the committee made recommendations to the Board on the remuneration packages of the executive Director and approved the remunerations to an executive Director, a Supervisor, the senior management formed by general managers and deputy general managers for 2020.

The Remuneration and Appraisal Committee held a meeting on 17 June 2021 to review and approve the Company's professional managers' implementation plan and professional managers' operating performance evaluation methods during their tenure. It unanimously agreed to submit it to the Board for review and approval.

Set out below is the attendance records of the members of the Remuneration and Appraisal Committee in 2021:

Name	25 March 2021	17 June 2021
Independent Non-executive Directors		
Mr. Xia Da-wei *(Chairman)*	Present	Present
Mr. Chen Wei	Present	Present
Mr. Zhao Xin-sheng	Present	Present
Non-Executive Directors		
Ms. Xu Zi-ying (Note)	Present	Present
Mr. Shi Xiao-long (Note)	–	–

Note: Ms. Xu Zi-ying resigned from the office of a member of the Remuneration and Appraisal Committee on 12 November 2021, Mr. Shi Xiao-long was appointed as a member of the Remuneration and Appraisal Committee on 12 November 2021.

Strategic Committee

On 22 June 2020, the Board passed a resolution to establish the seventh session of the Strategic Committee. The Strategic Committee currently comprises five members, including an executive Director and four non-executive Director (including the chairman). The primary duties, roles and functions of the Strategic Committee are:

(a) to research and make suggestions on the Company's long-term development strategic plan;

(b) to research and approve the revision and adjustment of the Company's long-term development strategic plan;

(c) to ensure that the Company's long-term development strategic plan is formulated based on objectively and comprehensively analyzing and predicting future business opportunities and risks;

(d) to ensure that the Company's long-term development strategy plan conforms to the national industry development plan and industrial policy, conforms to the strategic adjustment direction of the national economic structure, highlights the main business and helps to enhance the Company's core competitiveness;

(e) to ensure that the Company's long-term development strategic plan is operable;

(f) to review the Company's strategy implementation review report every year;

(g) to research and make suggestions on other major issues that affect the Company's development;

(h) to inspect the implementation of the above matters;

(i) to deal with other responsibilities authorized by the Board.

During the year ended 31 December 2021, the Strategy Committee held three meetings. The main tasks performed include a review of the implementation of the Company's strategy in 2020 and the election of the chairman of the Strategy Committee.

Set out below is the attendance record of the members of the Strategy Committee in 2021:

Name	25 March 2021	12 November 2021	2 December 2021
Executive Directors			
Mr. Xu Tao (Note)	Present	–	–
Mr. Chong Xiao-bing (Note)	–	Present	Present
Non-executive Directors			
Mr. Ye Yong-ming (Note)	Present	–	–
Mr. Pu Shao-hua *(chairman)* (Note)	–	Present	Present
Ms. Xu Zi-ying (Note)	Present	–	–
Mr. Shi Xiao-long (Note)	–	Present	Present
Mr. Xu Hong	Present	Present	Present
Ms. Zhang Shen-yu	Present	Present	Present

Note: Mr. Xu Tao resigned from the office of a member of the Strategic Committee on 23 April 2021, Mr. Chong Xiao-bing was appointed as a member of the Strategic Committee on 23 April 2021. Mr. Ye Yong-ming resigned from the office of a member and the chairman of the Strategic Committee on 12 November 2021, Mr. Pu Shao-hua was appointed as a member and the chairman of the Strategic Committee on 12 November 2021. Ms. Xu Zi-ying resigned from the office of a member of the Strategic Committee on 12 November 2021, Mr. Shi Xiao-long was appointed as a member of the Strategic Committee on 12 November 2021.

Nomination Committee

On 22 June 2020, the Board passed a resolution to establish the seventh session of the Nomination Committee. The Nomination Committee currently comprises four members, including three independent non-executive Directors and one non-executive Director (the chairman). The primary duties, roles and functions of the Nomination Committee are:

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2021, the Nomination Committee held six meetings. The meetings were in compliance with the provisions under the Detailed Implementation Rules for the Nomination Committee under the Board and performed major work including determining the policy for nomination of directors, reviewing, commenting and making recommendation to the Board on the candidates for Directors of the sixth sessions of the Board, adjustments of the member of Board Committees, and reviewing the time committed by each Director in order to perform their duties, and the structure, size and composition of the Board, making recommendation to the Board on the candidates for Directors of the seventh sessions of the Board and on the candidates for the members of the seventh session of the Board Committees, and electing the chairman of the seventh session of the Nomination Committee etc., which were approved and passed by way of resolutions at these meetings.

Please refer to the paragraph headed "Board Diversity Policy" for details on the Board's policy on board diversity, measurable objectives that it has set for implementation the policy and progress on achieving those objectives.

Please refer to the Terms of Reference of the Nomination Committee of the Company published on the website of the Stock Exchange for details of the policy for the nomination of directors.

Set out below is the attendance record of the members of the Nomination Committee in 2021:

Name	25 March 2021	23 April 2021	17 June 2021	12 November 2021	12 November 2021	2 December 2021
Independent Non-executive Directors						
Mr. Chen Wei	Present	Present	Present	Present	Present	Present
Mr. Xia Da-wei	Present	Present	Present	Present	Present	Present
Mr. Zhao Xin-sheng	Present	Present	Present	Present	Present	Present
Non-Executive Director						
Mr. Ye Yong-ming (Note)	Present	Present	Present	Present	–	–
Mr. Pu Shao-hua *(chairman)* (Note)	–	–	–	–	Present	Present

Note: Mr. Ye Yong-ming resigned from the office of a member and the chairman of the Nomination Committee of the Company on 12 November 2021; Mr. Pu Shao-hua was appointed as a member and the chairman of the Nomination Committee of the Company on 12 November 2021.

Environmental, Social and Governance (ESG) Committee

On 17 June 2021, the Board passed a resolution to establish the seventh session of the Environmental, Social and Governance (ESG) Committee. The Environmental, Social and Governance (ESG) Committee currently comprises four members, including an executive Director (the chairman), a non-executive Director and two independent non-executive Directors. The primary duties, roles and functions of the Environmental, Social and Governance (ESG) Committee are:

(a) to guide and review the formulation of Lianhua Supermarket's ESG policies and strategies to ensure that they are up-to-date, relevant and meet applicable legal and regulatory requirements;

(b) to monitor the formulation and implementation of Lianhua Supermarket's ESG goals, including: overseeing the formulation of Lianhua Supermarket's ESG management performance goals; reviewing progress towards the achievement of the goals and advising on the actions required for the achievement of such goals;

(c) to monitor the external ESG trends and report to the Board on important trends which may affect the formulation of Lianhua Supermarket's ESG policies and strategies as well as the goals;

(d) to guide and review the identification and sequencing of key ESG issues of Lianhua Supermarket;

(e) to review the Company's annual Environmental, Social and Governance Report and other ESG-related disclosures and report to the Board;

(f) to identify the ESG risks related to Lianhua Supermarket, assess the impact of such risks on the Company and give advice to the Board on risk response;

(g) to provide the ESG-related training materials to the Board;

(h) such other duties delegated by the Board.

During the year ended 31 December 2021, the Environmental, Social and Governance (ESG) Committee held a meeting. The meeting elected the Chairman of the Environmental, Social and Governance (ESG) Committee.

Set out below is the attendance record of the members of the Environmental, Social and Governance Committee in 2021:

Name	17 June 2021
Independent Non-executive Directors	
Mr. Lee Kwok Ming, Don	Present
Mr. Chen Wei	Present
Executive Director	
Mr. Chong Xiao-bing *(chairman)*	Present
Non-Executive Director	
Ms. Zhang Shen-yu	Present

Corporate Governance Functions

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

(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 applicable to the employees and Directors of the Company; and

(v) to review the Company's compliance with the Corporate Governance Code 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 Group for this year complied with the relevant laws and applicable accounting standards and that the Group will publish the financial statements of the Company on timely basis. The responsibilities of external auditors to the shareholders are set out on pages 143 to 145 of the annual report.

Compliance with Model Code

The Company has adopted the Model Code as the code of conduct for securities transactions by all Directors. After making specific enquiries with 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 2021.

Remuneration of Auditors

The Audit Committee is responsible for considering the appointment of auditors and reviewing their remuneration. For the year under review, RMB3,985.0 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. Xu Xiao-yi and Ms. Leung Shui Bing (a manager of the Listing Services Department of TMF Hong Kong Limited) have been appointed as the joint company secretaries of the Company with effect from 2 July 2020. Ms. Xu Xiao-yi is the joint company secretary and secretary of the Board of Directors of the Company, and is the internal contact person between Ms. Leung Shui Bing and the Company.

In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2021, Ms. Xu Xiao-yi and Ms. Leung Shui Bing received not less than 15 hours of the relevant professional training.

Risk Management and Internal Supervision

The Board confirms its responsibility to oversee the Company's and its subsidiaries' risk management and internal control systems on an on-going basis and to review their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in the performance of its regulatory and corporate governance role in the Group's finance, operation, compliance, risk management and internal controls, as well as financial and internal audit functions.

The Company has established an organizational structure featured with a clear level of accountability and reporting procedures. The Group's internal audit department assists the Board and/or the Audit Committee to continuously review the effectiveness of the Group's risk management and internal control systems. The Directors are regularly informed through such committees of significant risks which may affect the performance of the Group, hence, supplementing and improving risk control and management measures.

The structure also includes appropriate policy and monitoring systems being established and formulated to ensure that the secured assets will not be used or disposed of without authorization. The Group would comply with the relevant rules to maintain reliable financial and accounting records in accordance with the relevant accounting standards and regulatory requirements, as well as the proper identification and management of the major risks that may affect the performance of the Group. Relevant systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, and are designed to manage rather than eliminate the risk of failing to meet business objectives.

Internal Review

The Company's internal audit department coordinates corporate risk management and reviews the Group's significant risk management areas and is responsible for assessing the adequacy and effectiveness of the Group's risk management and risk monitoring systems and providing impartial advice on the system and reporting to the Audit Committee, the chairman and the relevant senior management to ensure that all issues have been satisfactorily resolved, depending on the nature of the business of the individual business unit and the risks involved. The scope of the internal audit department covers the review of all important aspects of internal control (including finance, operation, information, risk management, legal and compliance controls, etc.). The management of the Group regularly evaluates it and shall at least annually verify that the relevant matters are properly and effectively operated. The Company believes that this will strengthen its future corporate governance and business practices.

The internal audit department will meet at least once a year with the Audit Committee to review the risks identified by the internal audit department and other potential risks. According to the annual internal control and internal audit plan, the internal audit department will submit the Group's risk assessment and internal control report to the Audit Committee and the Board, which will be reviewed and approved at the end of the relevant year.

The Audit Committee is responsible for the management of connected transactions, including the review on the management system for connected transactions, the review and approval of material connected transactions and the annual review report, and consideration and approval of connected transactions. The Audit Committee has designated the internal audit department to be responsible for routine review of connected transactions. The relevant materials of routine review and management findings of the Audit Committee will be submitted to independent Directors for their review. Independent Directors conducted review on, among others, the fairness of material connected transactions and the execution of internal review and approval procedure in order to minimize relevant risks of connected transactions and safeguard the interest of the Company and the shareholders. The Company regularly collates and calculates the reported total transaction amount of connected transactions to ensure that the annual cap is not exceeded.

Review of the Effectiveness of Risk Management and Internal Monitoring System

The Group's internal audit department provides independent assurance to the Board, the Audit Committee and the senior management of the Group as to whether the Group's internal controls are adequate and effective. The senior management of the Group is responsible for the design, implementation and monitoring of risk management and internal control systems with the assistance of the internal audit department of the Group and submits periodic reports on the effectiveness of such systems to the Board and/or the Audit Committee.

In 2021, the internal audit department worked closely with the operating units, senior management and the Directors to strengthen the risk management system. The work includes but not limited to increasing the number of training sessions; further harmonizing the internal control and risk assessment methods; normalizing internal control and risk assessment; and making the internal monitoring and evaluation more closely aligned with their potential risks. Moreover, the internal audit department collects potential risk information from operating units and assesses the level of risk based on implementation of risk management measures that would be facilitated, all of which form part of the process used by the Company to identify, evaluate and manage potential material risk. The key risks identified, managed and monitored during the year included downward pressure on China's economy and action plans to effectively respond to the identified risks were formulated and implemented during the year accordingly. The internal audit department has submitted to the Board and the Audit Committee the latest report on the monitoring of risk management during the year and to assist the Directors in reviewing the effectiveness of the Group's risk management and internal control systems.

In 2021, the Group's internal audit department conducted a selective review on the effectiveness of the Group's risk management and internal control systems in terms of financial, operational and compliance monitoring, focusing on intangible asset management, information system maintenance, inventory management, and procurement expenses to review the effectiveness of risk management and internal control system. In addition, the responsible person of the main business and corporate functions need to self-assess their own major monitoring matters. The results were reviewed by the Group's internal audit department and reported to the Audit Committee. The Audit Committee then reviewed the information and reported to the Board. The Audit Committee and the Board did not find any matter or failure which requires special attention relating to the Group's financial condition or results of operations. In case any material internal control defects are identified by the internal audit department, the responsible unit and the Board will discuss and assess the cause of the defect and an action plan will be formulated to rectify the defects. The Board has conducted a review and considered that the risk management and internal control system as a whole is adequate and effective, including the areas of accounting, internal audit and the Group's procedure for financial reporting and compliance with the Listing Rules are effective. There are sufficient resources, staff qualifications and experience in the financial reporting function, as well as adequate staff training courses and budget.

Inside Information

The Board is the governing body of the Company's inside information. The Chairman of the Board takes the main responsibility of the Company's inside information management. The disclosure committee under the Board is comprised of the Chairman of the Board and the executive Director. It is responsible for managing the disclosure of the inside information. The company secretary is responsible for the Company's inside information monitoring, disclosure and insider registration, filing and other daily management work. The office of the Board is the only information disclosure department of the Company. It is responsible for the record management, the disclosure and the registration of insider of inside information and the daily custody of relevant information materials when inside information arises. Without the approval of the disclosure committee, review and consent of the company secretary, any department and individual of the Company shall not disclose, report or transmit the contents concerning the Company's inside information and information disclosure to any person prohibited by applicable laws and regulations.

Liability Insurance

The Company has insured directors and senior management responsibility insurance to protect the Directors and senior management of the Company from potential legal liability.

Organizational Structure

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

Authorities and Controls

The executive Director and senior management have been authorized to deal with relevant matters in respect of corporate strategies, policies and contractual undertakings. Budget controls and the budgets for operation of the financial reporting systems are formulated by relevant departments and are subject to review by the 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 the executive Director on a regular basis.

Training on Internal Control

Directors and senior management have participated in internal control training courses 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 implemented a comprehensive accounting management system, so as to provide the management with indicators to evaluate the financial and operating performance and financial information for reporting and disclosure purposes. Any deviation from expected objectives will be analysed and explained, or the budget objectives will be amended correspondingly in line with the change in business.

The Group has established 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 the generally accepted accounting principles, the accounting policies of the Group and applicable laws and regulations.

Internal Audit

In order to assess the effectiveness and 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 different businesses and procedures of the Group, with the aims to ensure the transparency of the information disclosure of the Company, 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 established the systems and procedures to identify, measure, manage and control risks, including legal, credit, market, centralisation, operation, environment, behaviour and other risks which may affect the development of the Company.

Continuing Operation

During the year, there were 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 2020 annual report and 2021 interim report have been sent to all Shareholders.

The Company places great emphasis on communication with the Shareholders and investors of the Company and in enhancing 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 20 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 have access to 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 has 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.

Changes in Company's Constitutional Document

During the period under review, the Company did not make any change to the Articles of Association.

Shareholder's Rights

Convening extraordinary general meetings by shareholders

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

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 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 propose 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 to 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 address, fax number or email addresses of the Company:

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

Dear Shareholders,

During the period under review, all members of the Supervisory Committee complied with the applicable requirements of the Company Law of the People's Republic of China and Articles of Association, 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 faced with the higher standards on governance imposed continuously by the Listing Rules, the Corporate Governance Code and the internal control policy. As such, the Supervisory Committee focused on the following three aspects: (1) to further improve the corporate governance structure of the Group; (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 other regulations; 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 five meetings. On 29 March 2021, the Supervisory Committee held a meeting, at which the Supervisory Committee objectively evaluated the Group's business operation for the year of 2020, and was fully satisfied with the work done by the Group in 2020, including the Group's development plan, network expansion in the year, improvement of the internal control systems and conduct of connected transactions. The Supervisory Committee also received reports on the financial conditions of the Group for 2020 and discussed and adopted the report of the Supervisory Committee for 2020. The Supervisory Committee convened a meeting to review and approve the Company's 2020 audit reports issued by domestic auditors and overseas auditors in accordance with relevant standards. The Supervisory Committee reviewed and approved the Company's proposal on the Company's 2020 profit distribution. The Supervisory Committee reviewed and approved the proposal on accruing the integration loss of Shanghai Lianhua Quik Convenience Co., Ltd. ("Lianhua Quik"). The Supervisory Committee reviewed and approved the proposal of Lianhua Quik to transfer its 100% equity interests in Hangzhou Lianhua Quik Convenience Chain Co., Ltd. and Ningbo Lianhua Quik Convenience Chain Co., Ltd. to Hangzhou Lianhua Huashang Group Co., Ltd. The Supervisory Committee reviewed and approved the proposal on accruing the loss of closing four hypermarkets. The Supervisory Committee reviewed and approved the proposal on confirming the investment loss of Tianjin Yishang Friendship Co., Ltd. The Supervisory Committee reviewed and approved the proposal on confirming the investment loss of Zhejiang Wenchuang Small Loan Co., Ltd. The Supervisory Committee reviewed and approved the proposal on authorizing the executive director of the Company to handle investment quotas for wealth management products. The Supervisory Committee reviewed and approved the proposal on the Company entering into the connected transaction of the 2021-2023 investment and wealth management cooperation framework agreement with Shanghai Securities Co., Ltd., and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

On 17 June 2021, the Supervisory Committee convened a meeting to review and approve the Company's proposal on agreeing to authorize executive directors to approve operating leasing business in which the total assets of the right-of-use non-connected transactions do not exceed 25% of the market value. The Supervisory Committee reviewed and approved the proposal on the Company entering into the connected transaction of the 2021-2023 supply framework agreement with Zhejiang Tmall Network Technology Co., Ltd., and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.

On 30 August 2021, the Supervisory Committee convened a meeting regarding the operating conditions of the first half of the year ended 30 June 2021 and received reports from the management of the Group relating to the financial condition of the first half of 2021. The Supervisory Committee reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 property management framework agreement with Bailian Group, reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 leasing framework agreement with Bailian Group, reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 smart cards arrangement agreement with Bailian Group, reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 logistics resources leasing framework agreement with Bailian Group, reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 property leasing framework agreement with Bailian Group, reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 membership points agency and settlement service agreement with Bailian Group, reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 financial services agreement with Bailian Group, reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 logistics and delivery services framework agreement with Bailian Group, reviewed and approved the proposal on the Company entering into the connected transaction of the 2022-2024 rajax logistics and delivery services framework agreement with Alibaba subsidiaries, and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

On 12 November 2021, the Supervisory Committee convened a meeting to review and approve the proposal on nomination of Ms. Tian Yingjie as a candidate for supervisor of the seventh session of the Supervisory Committee.

On 2 December 2021, the Supervisory Committee convened a meeting to review and approve the proposal on the election of the chairman of the seventh session of the Supervisory Committee. The Supervisory Committee reviewed and approved the proposal on the connected transaction of the Shanghai Qingpu lease agreement entering into between Shanghai Century Lianhua Supermarket Qingpu Co., Ltd. and Shanghai Qingpu Bailian Oriental Commercial Building Co., Ltd. Yinggang Road Branch, and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

During the period under review, the Supervisory Committee reviewed the financial system, annual financial report and internal audit report of the Group, and is of the view that the information included in the Group's financial budget, final accounts, annual report and interim report is true and reliable, and the audit opinion issued by the auditors is 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, has achieved significant progress in formulating and implementing internal procedures, and effectively controlled 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 procedures.

The Supervisory Committee conducted supervision on the performance of the Directors and managers of the Company and the execution of resolutions of 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. The Directors and the management of the Company actively protected the interest of the Group when performing their duties. 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 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 considerations for the Group's merger and acquisition and assets disposal were fair and reasonable. It was not aware of any insider 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 exemptions. 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 did not exceed their respective caps.

The Supervisory Committee considers that the seventh session of the Board have 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. Under the circumstances of the keen competition in the domestic retail market, the Board has made proper decisions according to the operating environment, sought proactive expansion and operated 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 chain companies are seeking listing in Hong Kong, international investors maintain their interests in the potential of retail businesses in the PRC. Good corporate governance and open and fair information disclosures 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 internal work and systems. In the coming year, the Supervisory Committee will diligently take its responsibilities to protect and ensure maximization of the interests of the Group and its Shareholders.

Deloitte. 德勤

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)

OPINION

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 146 to 236, which comprise the consolidated statement of financial position as at 31 December 2021, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgements, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

KEY AUDIT MATTER (Continued)

Key audit matter *Impairment assessment on property, plant and equipment and right-of-use assets*	**How our audit addressed the key audit matter**
We identified impairment assessment on property, plant and equipment and right-of-use assets as a key audit matter because the amounts of property, plant and equipment and right-of-use assets were significant and impairment assessment involved significant estimations and assumptions. Notes 16 and 18 to the consolidated financial statements described the reasons of impairment loss made on property, plant and equipment and right-of-use assets respectively. Details of the value-in-use calculations for these cash-generating units were set out in note 20 to the consolidated financial statements. During the year ended 31 December 2021, the Group has recognised impairment losses of RMB96,273,000 on right-of-use assets.	Our audit procedures in relation to the impairment assessment include: • Understanding the management consideration and process for the identification of property, plant and equipment and right-of-use assets which have impairment indicators; • Understanding the methodology and the process management applied in preparing the cash flow forecast, including the key assumptions and data used such as the historical financial information, market outlooks and trends, growth rate, discount rates, budgeted sales and gross margin; • Assessing whether the management estimates and judgements are appropriate and reasonable with regards to our understanding and the operating performance of the Group; and • Evaluating whether the model used by the management to calculate the value-in-use of the individual cash-generating unit is in compliance with the requirement under Hong Kong Accounting Standard 36 Impairment of Assets.

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

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor’s report is Kay Man Wo, Dick.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	**Year ended 31/12/2021 RMB'000**	Year ended 31/12/2020 RMB'000
Revenue	5	**24,759,659**	26,331,155
Cost of sales		**(21,697,930)**	(22,795,864)
Gross profit		**3,061,729**	3,535,291
Other revenue	5	**2,255,259**	2,170,108
Other income and other gains and losses	7	**476,108**	769,311
Impairment losses (recognised) reversed under expected credit loss ("ECL") model, net of reversal	9	**(1,156)**	(1,157)
Distribution and selling expenses		**(4,841,767)**	(4,861,494)
Administrative expenses		**(873,960)**	(929,048)
Other expenses	10	**(108,171)**	(338,334)
Share of results of associates		**42,800**	(65,043)
Finance costs	8	**(285,003)**	(295,108)
Loss before taxation	11	**(274,161)**	(15,474)
Income tax expense	12	**(97,195)**	(172,123)
Loss and total comprehensive expense for the year		**(371,356)**	(187,597)
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(422,779)**	(319,286)
Non-controlling interests		**51,423**	131,689
		(371,356)	(187,597)
Loss per share – basic	15	**RMB0.38**	RMB0.29

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	31/12/2021 RMB'000	31/12/2020 RMB'000
Non-current assets			
Property, plant and equipment	16	**3,341,988**	3,407,002
Construction in progress	17	**9,740**	10,234
Right-of-use assets	18	**6,386,548**	6,968,377
Intangible assets	19	**127,336**	133,643
Goodwill	21	**127,953**	127,953
Interests in associates	22	**703,205**	660,405
Financial assets at fair value through profit or loss ("FVTPL")	23	**52,229**	57,684
Finance lease receivables	25	**237,571**	254,528
Term deposits	24	**3,980,870**	4,685,800
Deferred tax assets	27	**8,045**	7,883
Other non-current assets	28	**286,186**	209,693
		15,261,671	16,523,202
Current assets			
Inventories	29	**2,839,495**	2,677,659
Finance lease receivables-current	25	**46,245**	37,291
Prepaid rental	26	**441**	1,376
Trade receivables	30	**145,386**	183,464
Deposits, prepayments and other receivables	31	**715,302**	613,834
Financial assets at FVTPL	23	**997,618**	59,958
Amounts due from ultimate holding company	32	**15,028**	–
Amounts due from fellow subsidiaries	32	**37,933**	43,617
Amounts due from associates	33	**251**	77
Term deposits	24	**577,100**	1,070,000
Cash and cash equivalents	34	**2,193,456**	2,010,276
		7,568,255	6,697,552
Total assets		**22,829,926**	23,220,754

(Continued)

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	31/12/2021 RMB'000	31/12/2020 RMB'000
Capital and reserves			
Share capital	41	**1,119,600**	1,119,600
Reserves		**(89,712)**	333,067
Equity attributable to owners of the Company		**1,029,888**	1,452,667
Non-controlling interests	42	**224,509**	302,427
Total equity		**1,254,397**	1,755,094
Non-current liability			
Deferred tax liabilities	27	**120,359**	101,947
Lease liabilities	39	**5,741,487**	6,247,684
		5,861,846	6,349,631
Current liabilities			
Trade payables	35	**3,467,986**	3,889,797
Tax payable		**103,336**	165,899
Bank borrowing	36	**–**	20,000
Other payables and accruals	37	**2,060,971**	1,974,422
Lease liabilities	39	**911,399**	856,082
Contract liabilities	38	**8,540,256**	8,138,152
Deferred income	40	**1,475**	5,916
Amount due to ultimate holding company		**–**	36,234
Amounts due to fellow subsidiaries	32	**626,409**	28,131
Amounts due to associates	33	**1,851**	1,394
Amounts due to other related parties		**–**	2
		15,713,683	15,116,029
Total liabilities		**21,575,529**	21,465,660
Total equity and liabilities		**22,829,926**	23,220,754
Net current liabilities		**(8,145,428)**	(8,418,477)
Total assets less current liabilities		**7,116,243**	8,104,725

The consolidated financial statements on pages 146 to 236 were approved and authorised for issue by the Board of Directors on 28 March 2022 and are signed on its behalf by:

PU SHAO-HUA
DIRECTOR

CHONG XIAO-BING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	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 42)	Total RMB'000
At 1 January 2020	1,119,600	258,353	(235,497)	559,800	69,697	1,771,953	274,553	2,046,506
(Loss) profit and total comprehensive expense for the year	–	–	–	–	(319,286)	(319,286)	131,689	(187,597)
Dividends to non-controlling interests	–	–	–	–	–	–	(115,615)	(115,615)
Capital contribution from non-controlling shareholders of new subsidiaries	–	–	–	–	–	–	11,800	11,800
At 31 December 2020	**1,119,600**	**258,353**	**(235,497)**	**559,800**	**(249,589)**	**1,452,667**	**302,427**	**1,755,094**
(Loss) profit and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(422,779)**	**(422,779)**	**51,423**	**(371,356)**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(129,341)**	**(129,341)**
At 31 December 2021	**1,119,600**	**258,353**	**(235,497)**	**559,800**	**(672,368)**	**1,029,888**	**224,509**	**1,254,397**

Notes:

(a) Capital reserve of the Company (as defined in note 1) represents share premium arising from issue of H shares net of share issuance expenses.

(b) Other reserve of the Group (as defined in note 1) mainly represents:

i. the fair value difference of a subsidiary's net asset, 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; and

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

(c) Pursuant to the relevant regulations of the People's Republic of China (the "PRC") and the Articles of Association of the subsidiaries registered in the PRC, the Group are required to transfer 10% of its profit, as determined under the PRC Company Law, 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. No further transfer is required when the fund has reached 50% of the registered capital of the subsidiaries registered in the PRC.

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 that 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 2021

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
OPERATING ACTIVTIES		
Loss before taxation	**(274,161)**	(15,474)
Adjustments for:		
Depreciation of property, plant and equipment	**329,508**	347,769
Depreciation of right-of-use assets	**1,099,984**	1,093,026
Amortisation of intangible assets	**20,798**	18,766
Gain on disposal of property, plant and equipment, right-of-use assets and intangible assets	**(22,281)**	(288,435)
Impairment loss on property, plant and equipment	**–**	12,100
Impairment loss on right-of-use assets	**96,273**	64,852
Write-down (reversals of write-down) of inventories	**(976)**	924
Impairment losses recognised under ECL model	**1,156**	1,157
(Loss) gain on change in fair value of financial assets at FVTPL	**(9,684)**	3,822
Dividends from financial assets at FVTPL	**(1,241)**	(769)
Share of results of associates	**(42,800)**	65,043
Interest income on bank balances and term deposits	**(272,140)**	(279,694)
Finance lease income	**(22,698)**	(24,845)
Finance costs	**285,003**	295,108
Operating profit before movements in working capital	**1,186,741**	1,293,350
(Increase) decrease in inventories	**(160,860)**	96,428
Decrease (increase) in trade receivables	**38,828**	(20,027)
Increase in deposits, prepayments and other receivables	**(5,935)**	(32,164)
Decrease (increase) in prepaid rental	**935**	(909)
Decrease in finance lease receivables	**30,701**	72,521
Increase in amounts due from associates	**(174)**	(38)
Increase in amounts due from fellow subsidiaries and ultimate holding company	**(9,344)**	(34,542)
(Decrease) increase in amounts due to ultimate holding company	**(36,234)**	36,234
(Decrease) increase in amounts due to fellow subsidiaries	**(1,722)**	2,975
Increase in amounts due to associates	**457**	132
Decrease in amounts due to other related parties	**(2)**	(2,749)
Decrease in deferred income	**(4,441)**	(5,863)
Increase in restricted term deposits	**78,830**	387,500
Decrease in trade payables	**(421,811)**	(94,396)
Increase in other payables and accruals	**131,565**	385,866
Increase in contract liabilities	**402,104**	115,636
Cash generated from operations	**1,229,638**	2,199,954
Income taxes paid	**(141,508)**	(163,299)
Interest received	**192,471**	184,289
Interest paid	**(285,003)**	(295,108)
Net cash from operating activities	**995,598**	1,925,836

(Continued)

For the year ended 31 December 2021

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment and construction in progress	**(420,628)**	(319,994)
(Payments for) proceeds from disposal of property, plant and equipment, right-of-use assets and intangible assets	**(22,996)**	306,661
Investment in an associate	**–**	(350)
Payments for purchase of intangible assets	**(14,761)**	(27,665)
Payment for rental deposits	**(7,319)**	(3,314)
Refund of rental deposits	**4,856**	5,181
Dividend from financial assets at FVTPL	**1,241**	769
Acquisition of financial assets at FVTPL	**(992,000)**	–
Proceeds on disposal of financial assets at FVTPL	**69,479**	1,263,192
Withdrawal of unrestricted term deposits	**1,206,000**	263,300
Payment for acquisition of a subsidiary	**(91,800)**	–
Placement of unrestricted term deposits	**(87,000)**	(2,470,300)
Net cash used in from investing activities	**(354,898)**	(982,520)
FINANCING ACTIVITIES		
New borrowing raised from fellow subsidiaries	**600,000**	–
Repayment of bank borrowing	**(20,000)**	–
Dividends paid to non-controlling shareholders	**(32,366)**	(114,315)
Repayments of leases liabilities	**(1,005,154)**	(1,049,064)
Capital contribution from non-controlling shareholders of new subsidiaries	**–**	11,800
New bank borrowing raised	**–**	20,000
Net cash used in financial activities	**(457,520)**	(1,131,579)
Net increase (decrease) in cash and cash equivalents	**183,180**	(188,263)
Cash and cash equivalents at 1 January	**2,010,276**	2,198,539
Cash and cash equivalents at 31 December	**2,193,456**	2,010,276
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**2,193,456**	2,010,276

1. GENERAL

Lianhua Supermarket Holdings Co., Ltd. (the "Company") is a public limited company incorporated in the PRC with limited liability. The address of its registered office and principal place of business is Room 713, 5th to 14th Floors, 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 ultimate 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 and its subsidiaries (the "Group") are operation of chain stores including supermarkets, hypermarkets and convenience stores primarily in the eastern region of the PRC.

As of 31 December 2021, the Group had net current liabilities of RMB8,145,428,000 (2020: RMB8,418,477,000). Taking into account of the historical settlement and addition pattern of the coupon liabilities (disclosed under contract liabilities) and the Group's ability to withdraw the non-current unrestricted term deposits of RMB2,160,300,000 the directors of the Company consider that the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

The consolidated financial statements are presented in Renminbi (the "RMB"), which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to 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 disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	*Insurance Contracts and the related Amendments*[3]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to HKAS 8	*Definition of Accounting Estimates*[3]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018-2020*[2]

[1] Effective for annual periods beginning on or after 1 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned above, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs mentioned above will have no material impact on the consolidated financial statements in the foreseeable future.

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

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB5,635,503,000 and RMB6,652,886,000 respectively.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 and by the Hong Kong Companies Ordinance.

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 and services.

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 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 Leases and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies

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 and other comprehensive income 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.

When 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Goodwill (Continued)

A cash-generating unit (or group of cash-generating units) 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 reporting period, the cash-generating unit (or group of cash-generating units) 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 first to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interests 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. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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 the 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 ultimately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Interests in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments* ("HKFRS 9"), 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. The difference between the carrying amount and the fair value of any retained interest and any proceeds from disposing the relevant 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) upon disposal/partial disposal of the relevant associate.

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, 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.

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Except for granting of a licence that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

Sales of goods that result in rewarding credits for customers under the certain customer loyalty incentive program are identified by the Group as the contracts with multiple performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, for example, service contracts in which the Group bills at the rate of each service item specified in the contract, the Group recognises revenue in the amount to which the Group has the right to invoice.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases for convenience stores that have the lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group;

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as separate line items on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Classification and measurement of leases (Continued)

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 such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Interest and rental income which are derived from the Group's ordinary course of business are presented as other revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modifications

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Lease modifications (Continued)

(ii) Finance leases

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

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 intended 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.

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

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income 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. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income and other gains and losses".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Retirement benefit costs

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

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

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 taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation.

Current and deferred tax are recognised in profit or loss.

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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, 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.

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 disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Certain software in the course of construction for administrative purposes are carried at cost, less accumulated amortisation and any recognised impairment loss. Such assets are classified to the appropriate categories of intangible assets when completed and ready for intended use. 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.

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 when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of cash-generating units.

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 (or a cash-generating unit) 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

The amount recognised as provision is 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. When 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).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (trade receivables, other receivables, amounts due from ultimate holding company/fellow subsidiaries/associates, term deposits and bank balances and cash), and other items (finance lease receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade receivables and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and lease receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Derecognition of financial assets

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. 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 of the Company 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.

Principal versus agent consideration (principal)

The Group engages in chain store operation including hypermarket, supermarket and convenience stores. The Group acts as the principal for daily sales of merchandise transactions as it controls the specified goods before it is transferred to the customer after taking into consideration of the key indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk on the merchandises.

Allocation of the consideration between lease components and non-lease components

For a contract that contains multiple lease components and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies judgements to allocate the consideration between the lease components and non-lease components. The assessment of stand-alone price for the non-lease components significantly affects the amount of lease liabilities and right-of-use assets recognised.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit at a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As at 31 December 2021 and 31 December 2020, the carrying amount of goodwill was RMB127,953,000 (net of accumulated impairment loss of RMB23,988,000). Details of the impairment testing on goodwill are set out in note 21.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgements and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the carrying value of an asset; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts used in the impairment test.

As at 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets are RMB3,341,988,000 (2020: RMB3,407,002,000) and RMB6,386,548,000 (2020: RMB6,968,377,000) respectively, after taking into account the impairment losses of RMB35,349,000 (2020: RMB43,593,000) and RMB184,333,000 (2020: RMB125,932,000) in respect of property, plant and equipment and right-of-use assets that have been recognised, respectively. Details of the impairment of property, plant and equipment and right-of-use assets are set out in note 20.

Deferred tax assets

As at 31 December 2021, no deferred tax asset has been recognised in respect of the tax losses of RMB3,448,816,000 (2020: RMB3,420,557,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

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

Key sources of estimation uncertainty (Continued)

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 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. As at 31 December 2021, the carrying amount of property, plant and equipment was RMB3,341,988,000 (net of accumulated impairment loss of RMB35,349,000 (2020: RMB3,407,002,000 (net of accumulated impairment loss of RMB43,593,000)).

Estimated store closure provision

The Group follows HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* 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 cost and employee compensations with corresponding amounts included in other expenses. The determination of provision requires the use of estimates. As at 31 December 2021, the carrying amount of store closure provision was RMB139,953,000 (2020: RMB190,487,000).

Estimated amount of breakage

Determining the breakage amount requires an estimation of the ratio and proportion to the pattern of rights exercised by the customer. The Group recognises the amount at an expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilised by the customers for certain period of time. The breakage amounts are recognised as revenue from contract liabilities according to HKFRS 15. During the year ended 31 December 2021, the income from breakage amounted to RMB11,252,000 (2020: RMB21,944,000)

5. REVENUE AND OTHER REVENUE

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

(i) Disaggregation of revenue from contracts with customers

Type of Revenue

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue		
Sales of merchandise	**24,759,659**	26,331,155
Services		
Income from suppliers (service income)	**1,632,148**	1,590,222
Franchising income from franchised stores	**41,638**	42,689
Commission income on coupon redemption at other retail shops	**2,137**	8,661
	1,675,923	1,641,572
Total	**26,435,582**	27,972,727

Timing of revenue recognition

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
At a point in time	**24,761,796**	26,339,816
Over time	**1,673,786**	1,632,911
Total	**26,435,582**	27,972,727

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue		
Revenue from contracts with customers – sales of merchandise	**24,759,659**	26,331,155
Other revenue from contracts with customers – services	**1,675,923**	1,641,572
Rental income from leasing of shop premises	**579,336**	528,536
	2,255,259	2,170,108
Total revenue and other revenue	**27,014,918**	28,501,263

5. REVENUE AND OTHER REVENUE (Continued)

(ii) Performance obligations for contracts with customers

Sales of merchandise

For merchandise sold in stores, revenue is recognised at the point of sales terminals. For online or wholesale of merchandise, revenue is recognised on collection by the customers.

Service income from suppliers

Service income from suppliers include information technology services, promotion services as well as logistic services. Such service income are recognised over time at the rate of each service item specified in the contract.

Franchising income from franchise stores

Franchising income is charged to the franchisee for the utilisation of the brand of the Group. Franchising income is recognised over time in accordance with the rate specified in the contract.

Commission income on coupon redemption at other retail shops

Commission income is charged to the retailers when customers redeem the Group's coupon at their retail shops. Commission fee is recognised at a point in time when customers redeemed the coupons.

(iii) Leases

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
For operating leases:		
Fixed lease payments	**556,638**	503,691
For finance leases:		
Finance income on the net investment in the lease	**22,698**	24,845
	22,698	24,845
Total revenue arising from leases	**579,336**	528,536

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.

Specifically, the reportable segments of the Group under HKFRS 8 *Operating Segments* are as follows:

- Hypermarket chain operation ("Hypermarket")
- Supermarket chain operation ("Supermarket")
- Convenience store chain operation ("Convenient store")
- Other operations

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

Segment revenues and results

The following is an analysis of the Group's revenue (including revenue and other revenue) and results from continuing operations by operating and reportable segment for the current and prior years:

	Segment revenue		Segment results	
	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000	**Year ended 31/12/2021 RMB'000**	Year ended 31/12/2020 RMB'000
Hypermarket	**15,065,315**	16,443,618	**(146,700)**	118,658
Supermarket	**10,115,635**	10,245,431	**51,325**	175,522
Convenience store	**1,558,080**	1,643,270	**(3,264)**	(209,913)
Other operations	**275,888**	168,944	**(15,184)**	184,243
	27,014,918	28,501,263	**(113,823)**	268,510

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Segment results	**(113,823)**	268,510
Unallocated interest income	**48,654**	51,343
Unallocated income	**(5,258)**	6,515
Unallocated expenses	**(246,534)**	(276,799)
Share of results of associates	**42,800**	(65,043)
Consolidated loss before taxation	**(274,161)**	(15,474)

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.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results did not include share of results 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.

Segment assets

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

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
– Hypermarket	**13,309,270**	14,514,737
– Supermarket	**5,920,975**	5,659,443
– Convenience store	**455,594**	347,802
– Other operations	**230,626**	117,496
Total segment assets	**19,916,465**	20,639,478
Interests in associates	**703,205**	660,405
Other unallocated assets	**2,210,256**	1,920,871
Total assets	**22,829,926**	23,220,754

For the purpose of monitoring segment performance and allocating resources among segments:

- all assets are allocated to operating segments other than certain financial assets, cash and cash equivalents centrally managed by headquarter and deferred tax assets.

6. SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31/12/2021

	Hypermarket RMB'000	Supermarket RMB'000	Convenience store 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)	717,800	461,369	95,488	1,692	1,276,349
Depreciation and amortisation	857,562	529,379	50,356	12,993	1,450,290
Impairment losses on property, plant and equipment and right-of-use assets in profit or loss	98,770	–	(2,497)	–	96,273
Gain (loss) on disposal of property, plant and equipment, right-of-use assets and intangible assets	17,750	(1,219)	3,492	771	20,794
Interest income on bank balances and term deposits	166,695	55,788	488	515	223,486
Interest income on finance lease receivables (note 5)	22,698	–	–	–	22,698
Finance costs	197,878	83,235	3,890	–	285,003

Year ended 31/12/2020

	Hypermarket RMB'000	Supermarket RMB'000	Convenience store RMB'000	Other operation RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets (note)	463,952	669,867	60,542	887	1,195,248
Depreciation and amortisation	845,703	515,032	83,986	14,840	1,459,561
Impairment losses on property, plant and equipment and right-of-use assets in profit or loss	56,910	–	20,042	–	76,952
Gain (loss) on disposal of property, plant and equipment, right-of-use assets and intangible assets	292	(1,052)	110,351	178,844	288,435
Interest income on bank balances and term deposits	173,496	52,376	376	2,103	228,351
Interest income on finance lease receivables (note 5)	24,845	–	–	–	24,845
Finance costs	218,117	69,946	7,045	–	295,108

Note: Addition to non-current assets include the additions of RMB272,431,000 to property, plant and equipment (2020: RMB234,245,000), RMB6,206,000 to construction in progress (2020: RMB119,935,000), RMB982,951,000 to right-of-use assets (2020:RMB813,403,000) and RMB14,761,000 to intangible assets (2020: RMB27,665,000).

6. SEGMENT INFORMATION (Continued)

Other 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 customers contributed over 10% of the total revenue of the Group for both reporting periods.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Interest income on bank balances and term deposits	**272,140**	279,694
Government grants (note i)	**58,259**	96,394
Gain (loss) on change in fair value of financial assets at FVTPL	**9,684**	(3,822)
Dividends from financial assets at FVTPL	**1,241**	769
Gain on disposal of property, plant and equipment, right-of-use assets and intangible assets(note ii)	**22,281**	288,435
Salvage sales	**29,772**	30,680
Income from breakage (note iii)	**11,252**	21,944
Coupon charges	**14,385**	15,439
Penalty income	**14,252**	9,354
Others	**42,842**	30,424
Total	**476,108**	769,311

7. OTHER INCOME AND OTHER GAINS AND LOSSES (Continued)

Notes:

i. The Group received unconditional government grants of RMB53,818,000 (2020: RMB90,531,000) from the PRC local government ("Authorities") as an encouragement for the operation of subsidiaries in certain jurisdictions. In addition, an amount of RMB4,441,000 (2020: RMB5,863,000) has been released from deferred income regarding the asset related government grants during the current year. Details of deferred income are set out in note 40.

ii. On 30 April 2020, the Group entered into an agreement with the Authorities for the dismantlement plan carried out by the Authorities ("the Agreement"). According to the Agreement, the Authorities would pay to the Group RMB304,240,000 as compensation for dismantling the warehouse of the subsidiary. As at 31 December 2020, the relevant terms and conditions as set out in the Agreement have been fulfilled and the compensation has been received by the Group, resulting in a gain of RMB251,661,000 on disposal of right-of-use assets and property, plant and equipment.

iii. The Group recognises the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilised by the customers for certain period of time. The breakage amounts are recognised as revenue from contract liabilities according to HKFRS 15.

8. FINANCE COSTS

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Interest expense on lease liabilities	**275,590**	294,903
Interest expense on borrowings	**9,413**	205
	285,003	295,108

9. IMPAIRMENT LOSSES (RECOGNISED) REVERSED UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Impairment loss (recognised) reversed on:		
– trade receivables	**750**	(994)
– deposits and other receivables	**(1,906)**	(163)
	(1,156)	(1,157)

Details of impairment assessment are set out in note 47b.

10. OTHER EXPENSES

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Store closure expenses	**3,355**	259,236
Loss on disposal of property, plant and equipment	**1,487**	–
Impairment losses on property, plant and equipment (note 16)	**–**	12,100
Impairment losses on right-of-use assets (note 18)	**96,273**	64,852
Others	**7,056**	2,146
	108,171	338,334

11. LOSS BEFORE TAXATION

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Loss before taxation has been arrived at after charging (crediting):		
Amortisation and depreciation		
Depreciation of property, plant and equipment (note 16)	**329,508**	347,769
Depreciation of right-of-use assets (note 18)	**1,099,984**	1,093,026
Amortisation of intangible assets (note 19)	**20,798**	18,766
Total amortisation and depreciation	**1,450,290**	1,459,561
Share of results of associates		
Share of results before taxation	**47,941**	(42,663)
Less: Share of income tax expense	**5,141**	22,380
	42,800	(65,043)
Auditors' remuneration	**6,096**	5,351
Director's remuneration (note 13)	**3,149**	3,200
Salaries, wages and other employee benefits of other staff	**2,216,210**	2,418,971
Retirement benefits scheme contribution of other staff	**202,106**	111,685
Total staff costs	**2,421,465**	2,533,856
Cost of inventories recognised as expenses	**21,697,930**	22,795,864

During the year ended 31 December 2020, the Group recognised Covid-19 related government grants offered by the PRC government amounted to RMB179,187,000. The amount had been offset against employee benefits expenses in the prior year.

During the year ended 31 December 2021, the Group did not obtain any grants in relation to Covid-19 compensation.

12. INCOME TAX EXPENSE

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Current tax on the PRC Enterprise Income Tax ("EIT")	**78,945**	169,514
Deferred tax expense (note 27)	**18,250**	2,609
	97,195	172,123

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries is 25%. Certain subsidiaries which are identified as small low-profit enterprises are entitled to enjoy preferential EIT rate ranging from 5% to 10%.

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Loss before taxation	**(274,161)**	(15,474)
Tax at PRC EIT tax rate of 25% (2020: 25%)	**(68,540)**	(3,869)
Tax effect of share of results of associates	**(10,700)**	16,261
Tax effect of expenses not deductible for tax purpose	**411**	488
Tax effect of income not taxable for tax purpose	**(4,762)**	(2,688)
Tax effect of tax losses not recognised	**181,639**	171,710
Tax effect of deductible temporary differences not recognised	**6,110**	42,720
Utilisation of tax losses previously not recognised	**(7,171)**	(50,962)
Over provision in prior years	**1,030**	279
Effect of different tax rates of subsidiaries	**(822)**	(1,816)
Income tax expense for the year	**97,195**	172,123

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION

(1) Directors' emoluments

The remuneration of each director for the year ended 31 December 2021 is set out below:

Name of directors	Fees		Basic salaries allowances and benefits in kind		Discretionary bonus (note a)		Retirement benefits costs		Medical benefits		Total	
RMB'000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive/Non-executive Directors:												
Mr. Xu Tao (note b)	–	–	440	1,320	–	1,190	40	67	18	23	498	2,600
Mr. Chong Xiao-bing (note c)	–	–	1,495	–	421	–	101	–	34	–	2,051	–
Mr. Ye Yong-ming (note d)	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Xu Zi-ying (note e)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Pu Shao-hua (note f)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Shi Xiao-long (note g)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Dong Xiao-chun (note k)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Wong Tak-Hung	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Xu Hong	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Zhang Shen-yu (note i)	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Zheng Xiao-yun (note j)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Qian Jian-qiang (note h)	–	–	–	–	–	–	–	–	–	–	–	–
Independent non-executive Directors:												
Mr. Xia Da Wei	150	150	–	–	–	–	–	–	–	–	150	150
Mr. Lee Kwok Ming, Don	150	150	–	–	–	–	–	–	–	–	150	150
Mr. Chen Wei	150	150	–	–	–	–	–	–	–	–	150	150
Mr. Zhao Xin-sheng	150	150	–	–	–	–	–	–	–	–	150	150
Total	600	600	1,935	1,320	421	1,190	141	67	52	23	3,149	3,200

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

(1) Directors' emoluments (Continued)

Notes:

(a) The discretionary bonus is determined based on the Group's and personal performance.

(b) Mr. Xu Tao was resigned from the chief executive officer and general manager of the Company on 23 Apr 2021.

(c) Mr. Chong Xiao-bing was elected as the chief executive officer and general manager of the Company on 23 Apr 2021.

(d) Mr. Ye Yong-ming was resigned from the non-executive director of the Company on 12 Nov 2021.

(e) Ms. Xu Zi-ying was resigned from the non-executive director of the Company on 12 Nov 2021.

(f) Mr. Pu Shao-hua was elected as the non-executive director of the Company on 12 Nov 2021.

(g) Mr. Shi Xiao-long was elected as the non-executive director of the Company on 12 Nov 2021.

(h) Mr. Qian Jian-qiang was retired from the the non-executive director of the Company on 22 June 2020.

(i) Mr. Zhang Shen-yu was elected as the non-executive director of the Company on 22 June 2020.

(j) Ms. Zheng Xiao-yun was retired from the non-executive director of the Company on 22 June 2020.

(k) Mr. Dong Xiao-chun was elected as the non-executive director of the Company on 22 June 2020.

The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. For in-service executive directors whose emoluments shown zero this year, they received all their emoluments from Bailian Group.

The non-executive director's emoluments shown above were for their services as directors of the Company or its subsidiaries. Certain directors received their emoluments from Bailian Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the general manager waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

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

(2) Supervisory committee members' emoluments

The remuneration of each supervisor for the year ended 31 December 2021 is set out below:

Name of supervisors	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (note a)		Retirement benefits costs		Medical benefits		Total	
RMB'000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Mr. Yang A-guo (note b)	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Tian Ying-jie (note c)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Li Feng (note d)	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Tang Hao	–	–	592	507	298	306	84	67	37	23	1,011	903
Total	–	–	592	507	298	306	84	67	37	23	1,011	903

Notes:

(a) The supervisors' emoluments shown above were for their services as supervisors of the Company. Certain supervisors did not receive emoluments from the Group, received their emoluments from Bailian Group during the year. There was no arrangement under which a supervisor waived or agreed to waive any emoluments during both current and prior reporting period.

(b) Mr. Yang A-guo was resigned from the supervisory of the Company on 2 Dec 2021.

(c) Ms. Tian Ying-jie was elected as the supervisory of the Company on 2 Dec 2021.

(d) Ms. Li Feng was elected as the supervisory of the Company on 22 Jun 2020.

(3) Senior management's emoluments

The remuneration of each senior management for the year ended 31 December 2021 is set out below:

Name	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (note a)		Retirement benefits costs		Medical benefits		Total	
RMB'000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Mr. Liang Bao-long (note b)	–	–	576	617	290	224	84	67	37	23	987	931
Ms. Zhang Hui-qin (note c)	–	–	294	294	4,450	7,978	81	61	24	25	4,849	8,358
Mr. Dong Gang	–	–	1,161	1,080	368	722	84	67	37	24	1,650	1,893
Mr. Wang Song (note d)	–	–	754	439	246	293	84	46	37	16	1,121	794
Ms. Xu Xiao-yi (note e)	–	–	683	360	223	181	84	46	37	16	1,027	603
Mr. Chong Xiao-bing (note f)	–	–	–	1,200	–	834	–	44	–	30	–	2,108
Ms. Hu Li-ping (note g)	–	–	–	376	–	135	–	26	–	8	–	545
Total	–	–	3,468	4,366	5,577	10,367	417	357	172	142	9,634	15,232

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

(3) Senior management's emoluments (Continued)

Notes:

(a) The discretionary bonus is determined based on the Group's and personal performance.

(b) Mr. Liang Bao-long was elected as the deputy party secretary of the Company in June 2021.

(c) Ms. Zhang Hui-qin was appointed as the executive deputy general manager of the Company in June 2021.

(d) Mr. Wang Song was elected as the chief financial officer of the Company on 10 Jun 2020.

(e) Ms. Xu Xiao-yi was elected as the vice chief financial officer of the Company on 10 Jun 2020.

(f) Mr. Chong Xiao-bing was elected as the chief executive officer and general manager of the Company on 12 Nov 2021.

(g) Ms. Hu Li-ping was retired from the chief financial officer of the Company on 10 Jun 2020.

The senior managements' emoluments shown above were for their services as one of the key management teams rendered to the Company.

14. FIVE HIGHEST PAID EMPLOYEES

In both years, none of the five highest paid individuals was a director or supervisor of the Company. The aggregate emoluments of these five highest paid individuals are as follows:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Salaries, allowances and benefits in kind	**1,183**	1,183
Discretionary bonuses	**17,610**	29,323
Retirement benefits	**407**	305
Medical benefits	**118**	126
	19,318	30,937

14. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands:

	Number	
	Year ended 31/12/2021	Year ended 31/12/2020
HK$4,000,001—HK$4,500,000	**3**	–
HK$5,000,001—HK$5,500,000	**1**	–
HK$5,500,001—HK$6,000,000	**1**	3
HK$7,500,001—HK$8,000,000	**–**	1
HK$9,000,001—HK$9,500,000	**–**	1

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office for the current and prior years.

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Loss for the year attributable to owners of the Company	**(422,779)**	(319,286)

	Year ended 31/12/2021	Year ended 31/12/2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,119,600,000**	1,119,600,000

No diluted loss per share is presented as there was no potential ordinary shares in issue for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Transportation vehicles and equipment RMB'000	Operating and office equipment RMB'000	Total RMB'000
COST					
At 1 January 2020	3,156,689	2,100,169	288,045	1,553,867	7,098,770
Additions	43,839	110,497	4,022	75,887	234,245
Transfer from construction – in progress (note 17)	104,444	7,025	–	5,393	116,862
Disposals	(118,667)	(210,481)	(9,881)	(182,098)	(521,127)
At 31 December 2020	3,186,305	2,007,210	282,186	1,453,049	6,928,750
Additions	1,791	155,711	2,563	112,366	272,431
Transfer from construction – in progress (note 17)	–	5,965	–	269	6,234
Disposals	–	(63,515)	(21,348)	(167,290)	(252,153)
At 31 December 2021	**3,188,096**	**2,105,371**	**263,401**	**1,398,394**	**6,955,262**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2020	865,492	1,439,559	179,757	1,161,496	3,646,304
Provided for the year	95,903	116,647	20,464	114,755	347,769
Impairment loss recognised	–	12,100	–	–	12,100
Eliminated on disposals	(102,660)	(200,203)	(9,121)	(172,441)	(484,425)
At 31 December 2020	858,735	1,368,103	191,100	1,103,810	3,521,748
Provided for the year	86,727	120,529	19,239	103,013	329,508
Impairment loss recognised	–	–	–	–	–
Eliminated on disposals	–	(54,668)	(19,827)	(163,487)	(237,982)
At 31 December 2021	**945,462**	**1,433,964**	**190,512**	**1,043,336**	**3,613,274**
CARRYING VALUES					
At 31 December 2021	**2,242,634**	**671,407**	**72,889**	**355,058**	**3,341,988**
At 31 December 2020	2,327,570	639,107	91,086	349,239	3,407,002

Notes:

(a) Among the depreciation expense of RMB329,508,000 (2020: RMB347,769,000), RMB284,728,000 (2020: RMB297,049,000) and RMB44,780,000 (2020: RMB50,720,000) were included in distribution and selling expenses and administrative expenses respectively.

(b) As at 31 December 2021, the carrying amount of certain buildings without building ownership certificates is RMB1,120,000 (2020: RMB461,469,000).

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	Over the shorter of the term of the lease, or 5-8 years
Transportation vehicles and equipment	5 – 8 years
Operating and office equipment	3 – 8 years

Details of the impairment assessment are set out in note 20.

17. CONSTRUCTION IN PROGRESS

	Construction in progress RMB'000
At 1 January 2020	33,345
Additions	119,935
Transfer to property, plant and equipment (note 16)	(116,862)
Transfer to right-of-use assets (note 18)	(1,390)
Transfer to intangible assets (note 19)	(24,794)
At 31 December 2020	10,234
Additions	**6,206**
Transfer to property, plant and equipment (note 16)	**(6,234)**
Transfer to intangible assets (note 19)	**(466)**
At 31 December 2021	**9,740**

18. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	**Buildings** RMB'000	**Total** RMB'000
At 31 December 2021			
Carrying amount	751,045	5,635,503	6,386,548
At 31 December 2020			
Carrying amount	775,834	6,192,543	6,968,377
For the year ended 31 December 2021			
Depreciation charge	(24,789)	(1,075,195)	(1,099,984)
Impairment (note)	–	(96,273)	(96,273)
Impairment eliminated on disposals	–	37,873	37,873
New lease entered	–	982,951	982,951
Lease modification	–	(87,016)	(87,016)
Lease termination	–	(319,380)	(319,380)
For the year ended 31 December 2020			
Depreciation charge	(25,388)	(1,067,638)	(1,093,026)
Impairment (note)	–	(64,852)	(64,852)
New lease entered	–	692,831	692,831
Lease modification	–	120,572	120,572
Transferred from construction in progress	1,390	–	1,390
Lease termination	(39,046)	(129,730)	(168,776)

Note:

Details of the impairment assessment are set out in note 20.

18. RIGHT-OF-USE ASSETS (Continued)

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Variable lease payments not included in the measurement of lease liabilities	**4,722**	8,231
Total cash outflow for leases	**1,292,785**	1,354,657
Addition to right-of-use assets	**982,951**	813,403

For both years, the Group leases various chain stores for its operations. Lease contracts are entered into for fixed term of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained all the land use right certificates for all leasehold lands.

The Group regularly enters into short-term leases for convenience stores. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is immaterial.

18. RIGHT-OF-USE ASSETS (Continued)

Leases of retail stores are either with only fixed lease payments or with variable lease payment that are based on 0.3% to 6% of sales and minimum annual lease payments that are fixed over the lease term. No variable payment term includes cap clauses. Such payment terms are common in retail stores in the PRC where the Group operates. The amounts of fixed and variable lease payments paid/payable to relevant lessors for both years are presented as follows:

Variable lease payments

For the year ended 31 December 2021

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores without variable lease payments	**1,183**	**1,226,767**	**–**	**1,226,767**
Retail stores with variable lease payments	**30**	**53,977**	**4,722**	**58,699**
	1,213	**1,280,744**	**4,722**	**1,285,466**

For the year ended 31 December 2020

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores without variable lease payments	1,161	1,319,324	–	1,319,324
Retail stores with variable lease payments	28	47,255	8,231	55,486
	1,189	1,366,579	8,231	1,374,810

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable lease payments are expected to continue to represent a similar proportion of store sales in future years.

Restrictions or covenants on leases

In addition, lease liabilities of RMB6,652,886,000 are recognised with related right-of-use assets of RMB5,635,503,000 as at 31 December 2021 (2020: lease liabilities of RMB7,103,766,000 and related right-of-use assets of RMB6,192,543,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes or be subleased under certain circumstances.

Details of impairment assessment of right-of-use assets are set out in note 20.

18. RIGHT-OF-USE ASSETS (Continued)

Rent concession

During the year ended 31 December 2021, lessors of the relevant retail stores provided rent concessions to the Group through monthly rent reductions ranging from 2% to 18% over one to twelve months (2020: 4% to 100%).

The Group opted not to apply the practical expedient under HKFRS 16.46A and concluded the changes in lease payments constitute lease modifications. The reduction of the Group's lease liabilities of RMB87,016,000 (2020: RMB28,440,000) and a corresponding adjustment of the same amount to the right-of-use assets were recognised.

19. INTANGIBLE ASSETS

	Software RMB'000
COST	
At 1 January 2020	272,859
Additions	27,665
Transfer from construction in progress (note 17)	24,794
Disposals	(9,823)
At 31 December 2020	315,495
Additions	14,761
Transfer from construction in progress (note 17)	466
Disposals	(4,711)
At 31 December 2021	**326,011**
AMORTISATION	
At 1 January 2020	172,909
Charge for the year	18,766
Eliminated on disposals	(9,823)
At 31 December 2020	181,852
Charge for the year	20,798
Eliminated on disposals	(3,975)
At 31 December 2021	**198,675**
CARRYING VALUES	
At 31 December 2021	**127,336**
At 31 December 2020	133,643

Notes:

(a) Amongst the amortisation charge of RMB20,798,000 (2020: RMB18,766,000) for the year ended 31 December 2021, RMB4,588,000 (2020: RMB4,325,000) and RMB16,210,000 (2020: RMB14,441,000) were included in distribution and selling expenses and administrative expenses respectively.

(b) Software has finite useful lives and is amortised on a straight-line basis over 5 to 10 years.

20. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT OF USE ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL

Due to the poor performance of certain retail stores, the management concluded that there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets with carrying amounts of RMB139,337,000 and RMB1,284,124,000 respectively (2020: RMB68,367,000 and RMB916,146,000). The Group estimates the recoverable amount of the cash-generating units (CGUs) of retail stores to which the asset belongs are having impairment indicators.

The recoverable amount of respective CGU has been determined based on a value in use calculation. The Group uses cash flow projections based on financial budgets approved by the management covering the following 5 years with a pre-tax discount rate of 9% as at 31 December 2021 (2020: 10.25%). The annual growth rate used is ranging from 0% to 5% (2020: from 0% to 3.25%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated within the lease term. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the CGUs' past performance and management judgements on expectations for the market development. The growth and discount rates have been reassessed as at 31 December 2021 taking into consideration of higher degree of estimation uncertainties in the current year including how the Covid-19 pandemic may evolve and potential disruptions of the Group's retail operation.

Based on the result of the assessment, management determined that the recoverable amounts of certain CGUs are lower than their corresponding carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment of RMB0 (2020: RMB12,100,000) and RMB96,273,000 (2020: RMB64,852,000) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively within the relevant factions to which these assets related.

21. IMPAIRMENT TESTING ON GOODWILL

	RMB'000
COST At 31 December 2020 and 31 December 2021	151,941
IMPAIRMENT At 31 December 2020 and 31 December 2021	(23,988)
CARRYING VALUE At 31 December 2020 and 31 December 2021	**127,953**

For the purpose of impairment testing, goodwill has been allocated to each individual CGU identified according to the separate acquisition. The goodwill as at 31 December 2021 allocated to these CGUs is as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Hangzhou Lianhua Huashang Supermarket Group Co., Ltd. (杭州聯華華商集團有限公司)	**69,534**	69,534
Guangxi Lianhua Supermarket Joint Stock Co., Ltd. (廣西聯華超市股份有限公司)	**47,638**	47,638
Others	**10,781**	10,781
	127,953	127,953

In addition to goodwill, property, plant and equipment, intangible assets and right-of-use assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amounts of the CGUs are determined based on a value-in-use calculations. Their recoverable amounts are based on certain similar key assumptions. The value-in-use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period as extrapolated for perpetuity using a growth rate of 0% (2020: 0%). The annual growth rates are 0.9% and 14.1% (2020: 2.5% and 10.9%), which are Consumer Price Index and growth rate of online retail sales, as appropriate, and a discount rate at 9.00 % (2020: 10.25%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 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 estimations are based on these relevant CGUs' past performance and the management's expectations for the market condition. The management believes that any reasonably possible change in any of these assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the relevant CGUs.

22. INTERESTS IN ASSOCIATES

The Group

	31/12/2021 RMB'000	31/12/2020 RMB'000
Unlisted equity investments	**472,467**	472,467
Share of post-acquisition profits and other comprehensive income net of dividends received	**230,738**	187,938
	703,205	660,405

22. INTERESTS IN ASSOCIATES (Continued)

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entities	Country of registration/ Principal place of business	Proportion of ownership interest held by the Group		Principal activity
		31/12/2021 %	31/12/2020 %	
Shanghai Carhua Supermarket Co., Ltd.("Carhua") (上海聯家超市有限公司("聯家"))	The PRC	**45.00**	45.00	Hypermarket
Shanghai Sanming Taige information technology Co., Ltd. (上海三明泰格信息技術有限公司)	The PRC	**45.00**	45.00	Trading Company
Shanghai Gude commerce Company (上海谷德商貿合作公司)	The PRC	**27.00**	27.00	Trading Company
Tianjin Yishang Friendship Holdings Co.,Ltd. ("Tianjin Yishang") (天津一商友誼股份有限公司 ("天津一商"))	The PRC	**20.00**	20.00	Department Stores
Shanghai Aofa Trading Development Co., Ltd. (上海澳發商貿發展有限公司)	The PRC	**30.00**	30.00	Trading Company
Hangzhou Longlian Selected Restaurant Co., Ltd. (杭州龍聯精選餐飲有限公司)	The PRC	**40.00**	40.00	Catering Service
Bailian Financial Services Co., Ltd. ("Bailian Financial Services") (百聯金融服務有限公司("百聯金服")) (note i)	The PRC	**11.77**	11.77	E-commerce
Hangzhou Jiangtou Lianhua Supermarket Co., Ltd. ("Jiangtou") (杭州江投聯華超市股份有限公司 ("江投"))	The PRC	**49.00**	49.00	Supermarket
Zhejiang Jiuciyuan Network Technology Co., Ltd. ("Jiuciyuan") (浙江九次元網路科技有限公司 "九次元"))	The PRC	**23.80**	23.80	E-commerce

22. INTERESTS IN ASSOCIATES (Continued)

Note:

i. The Group is able to exercise significant influence over Bailian Financial Services because it has appointed two out of the five directors of Bailian Financial Services.

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

Summarised financial information in respect of each of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

Carhua

	31/12/2021 RMB'000	31/12/2020 RMB'000
Current assets	**2,671,780**	2,069,527
Non-current assets	**1,736,427**	953,434
Current liabilities	**1,859,524**	1,641,526
Non-current liabilities	**1,484,791**	408,315

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue	**3,703,283**	4,439,905
Profit for the year	**90,772**	117,528
Dividends received from the associate during the year	**–**	–

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

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Net assets of Carhua	**1,063,892**	973,120
Proportion of the Group's ownership interest in Carhua	**45%**	45%
Carrying amount of the Group's interest in Carhua	**478,751**	437,904

22. INTERESTS IN ASSOCIATES (Continued)

Tianjin Yishang

	31/12/2021 RMB'000	31/12/2020 RMB'000
Current assets	**233,265**	434,096
Non-current assets	**855,858**	900,359
Current liabilities	**1,861,057**	1,641,084
Non-current liabilities	**92,143**	429,548

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue	**769,581**	900,565
Loss for the year	**(133,984)**	(1,339,033)
Other comprehensive income during the year	**–**	–

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

	31/12/2021 RMB'000	31/12/2020 RMB'000
Net assets of Tianjin Yishang	**(864,077)**	(736,177)
Proportion of the Group's ownership interest in Tianjin Yishang	**20%**	20%
The Group's interest in Tianjin Yishang	**(172,815)**	(147,235)
Goodwill	**6,787**	6,787
Carrying amount of the Group's interest in Tianjin Yishang (note)	**–**	–

The Group has unrecognised share of losses of associates:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
The unrecognised share of loss of an associate for the year	**(26,797)**	(15,042)

	31/12/2021 RMB'000	31/12/2020 RMB'000
Cumulative unrecognised share of loss of an associate	**(166,028)**	(140,448)

22. INTERESTS IN ASSOCIATES (Continued)

Tianjin Yishang (Continued)

Note:

In 2019, the Group has dispute over the opening adjustments made by the management of Tianjin Yishang in its unaudited consolidated financial statements for the year ended 31 December 2019 due to internal reorganisation of its parent. The adjustments were mainly related to write-off of certain receivables owed by related entities to Tianjin Yishang (the "Adjustments"). As a result of the Adjustments, the net assets of Tianjin Yishang as at 31 December 2018 was decreased by RMB1,110 million. The Company considered the Adjustments were lack of legal basis, and such matter was not resolved at its general meeting while the Company has the right to attend. Accordingly, the Company did not include such groundless Adjustments when accounting for the interest in Tianjin Yishang in its consolidated financial statements for the year ended 31 December 2019.

During the year ended 31 December 2020, the Company continues to communicate with the management of Tianjin Yishang but failed to reach a consensus on the Adjustments being recognised in the audited financial statements of Tianjin Yishang for the year ended 31 December 2019. In November 2020, the Company has taken legal proceeding against Tianjin Yishang to revoke the resolution on approving the 2019 annual audited financial statements in its annual general meeting. Pursuant the civil judgements paper issued in November 2020, the Company has lost the case.

As a result, the Company recognised the Adjustments in the management accounts of Tianjin Yishang for the year ended 31 December 2020. The Group's interest in Tianjin YiShang was reduced to zero. Additional losses are not provided because the Group has not incurred legal or constructive obligations or made payments on behalf of the associate.

22. INTERESTS IN ASSOCIATES (Continued)

Bailian Financial Services

	31/12/2021 RMB'000	31/12/2020 RMB'000
Current assets	**8,631,358**	8,204,253
Non-current assets	**37,815**	39,434
Current liabilities	**6,832,879**	6,456,537
Non-current liabilities	**–**	–

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue	**120,088**	118,270
Profit for the year	**49,144**	85,501
Dividends appropriation from the associate during the year	**–**	–

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

	31/12/2021 RMB'000	31/12/2020 RMB'000
Net assets of Bailian Financial Services	**1,836,294**	1,787,150
Proportion of the Group's ownership interest in Bailian Financial Services	**11.77%**	11.77%
Carrying amount of the Group's interest in Bailian Financial Services	**216,040**	210,258

Aggregate information of associates that are not individually material:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
The Group's share of loss	**(3,829)**	(631)

	31/12/2021 RMB'000	31/12/2020 RMB'000
Aggregate carrying amount of the Group's interests in these associates	**8,414**	12,243

23. FINANCIAL ASSETS AT FVTPL

	31/12/2021 RMB'000	31/12/2020 RMB'000
Non-current		
Unlisted equity instruments (note a)	**1,872**	1,872
Equity securities listed in Shanghai Stock Exchange	**50,357**	55,812
Total	**52,229**	57,684
Current		
Equity securities listed in Shanghai Stock Exchange	**2,518**	2,614
Unlisted financial products (note b)	**995,100**	57,344
Total	**997,618**	59,958

Note:

(a) These represent certain unlisted equity investments in the PRC.

(b) Unlisted financial products investments are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including bonds, trusts, cash funds or unlisted equity investments in the PRC in accordance with the entrusted agreements entered into between the parties involved. The gain on change in fair value of RMB15,235,000 (2020: RMB12,598,000), is credited to "other income and other gains and losses" in the current year.

24. TERM DEPOSITS

	31/12/2021 RMB'000	31/12/2020 RMB'000
Non-current		
Restricted term deposits	**1,820,570**	1,200,500
Other non-current unrestricted term deposits	**2,160,300**	3,485,300
Total	**3,980,870**	4,685,800
Current		
Restricted term deposits	**1,100**	700,000
Other current unrestricted term deposits – FVTPL	**–**	100,000
Other current unrestricted term deposits	**576,000**	270,000
Total	**577,100**	1,070,000

Term deposits are placed with banks in the PRC and 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.

Restricted term deposits are term deposits 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.

As at 31 December 2020, included in other current unrestricted term deposits, structured deposit of RMB100,000,000 (2021: Nil) are placed with the banks in the PRC, denominated in RMB and measured as FVTPL.

The remaining term deposits are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The effective interest rates on term deposits range from 1.80% to 4.99% (2020: 3.10% to 4.99%) per annum for the Group. The carrying amounts of the term deposits of the Group approximated their fair value.

25. FINANCE LEASE RECEIVABLES

As part of the chain store operations, the Group entered into finance lease arrangements as an intermediate lessor for subleases of buildings. The average terms of finance leases entered into usually range from 3 to 12 years. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

There is no guaranteed residual values for the lease contracts.

	Minimum lease payment 31/12/2021 RMB'000	Present value of minimum lease payment 31/12/2021 RMB'000	Minimum lease payment 31/12/2020 RMB'000	Present value of minimum lease payment 31/12/2020 RMB'000
Finance lease receivable comprise:				
Within one year	**67,332**	**46,245**	59,354	37,291
In the second year	**67,442**	**50,274**	64,200	45,496
In the third year	**63,481**	**50,268**	62,741	47,766
In the fourth year	**65,978**	**57,163**	58,616	47,384
In the fifth year	**58,327**	**53,887**	60,877	53,793
After five years	**28,158**	**25,979**	63,691	60,089
	350,718	**283,816**	369,479	291,819
Unguaranteed residual values	**–**	**–**	–	–
Gross investment in the lease	**350,718**	**N/A**	369,479	N/A
Less: unearned finance income	**(66,902)**	**N/A**	(77,660)	N/A
Present value of minimum lease payment receivables	**283,816**	**N/A**	291,819	N/A
Analysed as:				
Current	**67,332**	**46,245**	59,354	37,291
Non-current	**283,386**	**237,571**	310,125	254,528
	350,718	**283,816**	369,479	291,819

Weighted average interest rates implicit in the above finance leases is 8% (2020: 8.00%).

There is no accumulated impairment loss in the carrying amount of the above finance lease receivables as at 31 December 2021 and 2020.

The Group is not exposed to foreign currency risk as all the leases are denominated in RMB, same as the functional currency of the group entities.

Details of impairment assessment are set out in note 47b.

26. PREPAID RENTAL

Prepaid rental represents advance payment for the short-term lease of certain store premises and is amortised over the relevant lease periods.

27. DEFERRED TAXATION

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

	31/12/2021 RMB'000	31/12/2020 RMB'000
Deferred tax assets	**8,045**	7,883
Deferred tax liabilities	**(120,359)**	(101,947)
	(112,314)	(94,064)

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	**ECL provision and inventory allowances** RMB'000	**Accrued expenses** RMB'000	**Accrued income** RMB'000	**Total** RMB'000
At 1 January 2020	(50,839)	1,758	1,175	(43,549)	(91,455)
Credit (charge) to profit or loss	16,310	284	(334)	(18,869)	(2,609)
At 31 December 2020	(34,529)	2,042	841	(62,418)	(94,064)
Credit (charge) to profit or loss	1,506	186	(24)	(19,918)	(18,250)
At 31 December 2021	**(33,023)**	**2,228**	**817**	**(82,336)**	**(112,314)**

The unrecognised tax losses and deductible temporary differences are as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Unrecognised unused tax losses	**3,448,816**	3,420,557
Unrecognised deductible temporary differences	**1,009,614**	985,174
	4,458,430	4,405,731

At the end of the reporting period, the Group had unused tax losses of RMB3,448,816,000 (2020: RMB3,420,557,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

27. DEFERRED TAXATION (Continued)

The unrecognised unused tax losses will expire as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Year of expiring		
2021	–	645,331
2022	640,471	659,367
2023	701,631	712,274
2024	704,133	716,745
2025	676,024	686,840
2026	726,557	–
	3,448,816	3,420,557

28. OTHER NON-CURRENT ASSETS

	31/12/2021 RMB'000	31/12/2020 RMB'000
Interest receivable on term deposits	194,386	209,693
Payment for acquisition of equity interests in subsidiaries(Note)	91,800	–
	286,186	209,693

Note: On 26 September 2021, Hangzhou Lianhua Huashang Group Co., Ltd.("Lianhua Huashang"), a subsidiary of the Group, entered into the Equity Transfer Agreement with Zhuji Yibai Supermarket Co., Ltd.("Yibai Supermarket"), pursuant to which, Lianhua Huashang agreed to acquire, and Yibai Supermarket agreed to sell, 60% equity interests in Zhejiang Bailian Supermarket Co., Ltd. at a consideration of RMB180,000,000. As at 31 December 2021, the acquisition was not closed and Lianhua Huashang paid RMB91,800,000 to Yibai Supermarket in respect of the first instalment, which is 51% of the total consideration for the acquisition.

29. INVENTORIES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Merchandise for resale	2,831,407	2,666,469
Write-down for obsolescence	(1,062)	(2,038)
	2,830,345	2,664,431
Low value consumables	9,150	13,228
	2,839,495	2,677,659

During the year 2021, the management assessed that there was no write-down of inventories (2020: RMB1,524,000).

During the year 2021, the selling prices for certain merchandises have increased. As such, a reversal of write-down of RMB976,000 (2020: RMB600,000) has been recognised and included in cost of sales in the current year.

30. TRADE RECEIVABLES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Trade receivables – contracts with customers	150,248	189,076
Less: allowance for credit losses (note 47b)	(4,862)	(5,612)
	145,386	183,464

The aging analysis of the trade receivables net of allowance for credit losses at 31 December 2021, arising principally from the Group sales of merchandise with credit terms ranging from 30 to 60 days (2020: 30 to 60 days), presented as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
0 – 30 days	142,429	178,780
31– 60 days	2,048	1,252
61– 90 days	401	3,255
Over 90 days	508	177
	145,386	183,464

The aging is determined from the date on which the control of the goods or services is transferred to the customers till the end of the reporting period.

The trade receivables are mainly public institutions 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. For trade receivables which are past due, the Group has applied provision matrix to measure the ECL.

Aging of trade receivables which are past due:

	31/12/2021 RMB'000	31/12/2020 RMB'000
1 – 30 days past due	401	3,255
More than 30 days past due	508	177
	909	3,432

31. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Deposits and prepayments	231,301	264,205
VAT recoverable	266,363	216,253
Interest receivables	134,949	39,972
Other receivables (note)	88,617	97,426
Less: allowance for credit loss (note 47b)	(5,928)	(4,022)
	715,302	613,834

Note: Other receivables include mainly interest receivable on bank deposits.

Details of impairment assessment of trade and other receivables are set out in note 47b.

32. AMOUNT(S) DUE FROM/TO ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

During the year ended 31 December 2021, the group obtained borrowings from fellow subsidiaries amounting to RMB600,000,000 at an interest rate of 4%. The remaining amount due from/to ultimate holding company/fellow subsidiaries are trade in nature, unsecured, interest free, with credit terms ranging from 30 to 60 days (2020: 30 to 60 days). As at 31 December 2021, balances of both amounts due from/to ultimate holding company/fellow subsidiaries are all aged within 90 days (2020: 60 days).

33. AMOUNTS DUE FROM/TO ASSOCIATES

Amounts due from/to associates represent balances arising from expenses paid on behalf of certain associates and purchase of merchandise from associates respectively. Balances are all aged within 90 days (2020: 90 days) and the credit terms of the trade balances aged from 30 to 90 days (2020: 30 to 90 days). Such balances with associates are unsecured and interest free.

34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprising cash on hand and cash placed with banks in the PRC and 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 0.3% to 4.99% (2020: ranging from 0.30% to 3.85% per annum) per annum for the year ended 31 December 2021.

35. 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 (2020: 30 to 60 days), is as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
0-30 days	**1,494,703**	1,886,322
31-60 days	**718,851**	706,511
61-90 days	**366,786**	394,111
91 days – one year	**887,646**	902,853
	3,467,986	3,889,797

Note: The aging is determined from the date on which the control of the goods or services is transferred to the Group till the end of the reporting period.

36. BANK BORROWING

	31/12/2021 RMB'000	31/12/2020 RMB'000
Unsecured and unguaranteed bank loan	–	20,000

The loan carries interest at fixed market rate of 3.05% per annum and was repaid in 2021.

37. OTHER PAYABLES AND ACCRUALS

	31/12/2021 RMB'000	31/12/2020 RMB'000
Payroll, staff welfare and other staff cost payable	332,811	386,063
Value added tax and other tax payables	84,451	51,059
Deposits from lessees, franchisees and other third parties	315,614	307,212
Dividend payable to non-controlling interests	98,275	1,300
Amount payable to other retailers upon customers' redemption of coupon issued by the Group	14,390	16,535
Prepayments received from franchisees and other third parties	811,367	627,610
Payables for acquisition of property, plant and equipment and low value consumables	108,158	248,576
Store closure provision (note)	139,953	190,487
Accruals	149,277	137,377
Other miscellaneous payables	6,675	8,203
	2,060,971	1,974,422

Note: As part of the daily management process, the management of the Group review and measure the operating performance of each segment reported by the regional management team to determine the operation and development strategy of the Group. Management will exercise judgement to close those store which are unprofitable or not viable to continue taking into account the timescale and turnaround ability. Store closure provision comprises mainly lease termination cost and employee compensations with corresponding amounts included in other expenses . The group utilized amount of RMB50,534,000 during the year end of 2021.

38. CONTRACT LIABILITIES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Coupon liabilities (note)	8,418,224	7,988,044
Advance from customers	122,032	150,108
Total	8,540,256	8,138,152

As at 1 January 2020, contract liabilities amounted to RMB8,022,516,000.

Note:

Gift card carries no expiry date and 100% of its face value was paid by the customers for purchasing the gift cards

The Group recognises the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupon issued by the Group but not yet utilised by the customers for a period of time. (note 7)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Year ended 31/12/2021 RMB '000	Year ended 31/12/2020 RMB '000
Revenue recognised that was included in the contract liability balance at the beginning of the year	6,539,041	6,591,136

39. LEASE LIABILITIES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Lease liabilities payable:		
Within one year	911,399	856,082
Within a period of more than one year but not more than two years	1,258,282	1,047,667
Within a period of more than two years but not more than five years	1,990,661	2,546,349
Within a period of more than five years	2,492,544	2,653,668
	6,652,886	7,103,766
Less: Amount due for settlement within 12 months shown under current liabilities	(911,399)	(856,082)
Amount due for settlement after 12 months shown under non-current liabilities	5,741,487	6,247,684

40. DEFERRED INCOME

	31/12/2021 RMB'000	31/12/2020 RMB'000
Government grants (note)	**1,475**	5,916

Note:

The balance represents asset related government grants received from the Authorities and is recognised as income over the useful lives of the related assets. The amount released and credited to other income and other gains and losses during the year amounted to RMB4,441,000 (2020: RMB5,863,000).

41. SHARE CAPITAL

	Number of shares		Nominal value	
	31/12/2021	31/12/2020	**31/12/2021 RMB'000**	31/12/2020 RMB'000
Ordinary shares of RMB1.00 each				
Registered, issued and fully paid:				
At 1 January 2020				
31 December 2020 and				
31 December 2021	**1,119,600,000**	1,119,600,000	**1,119,600**	1,119,600

The share capital of the Company as at 31 December 2021 and 2020 comprises:

	Number of shares of RMB1.00 each		Nominal value	
	31/12/2021	31/12/2020	**31/12/2021 RMB'000**	31/12/2020 RMB'000
Domestic shares	**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.

42. NON-CONTROLLING INTERESTS

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Balance at beginning of year	**302,427**	274,553
Share of profit for the year	**51,423**	131,689
Dividends to non-controlling interest during the year	**(129,341)**	(115,615)
Capital contribution from non-controlling shareholder for establishing a new subsidiary	**–**	11,800
Balance at end of year	**224,509**	302,427

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Lianhua Huashang and its subsidiaries Lianhua Huashang Group at the end of the reporting period is set out below:

Lianhua Huashang Group

	31/12/2021 RMB'000	31/12/2020 RMB'000
Current assets	**8,096,556**	7,429,053
Non-current assets	**6,354,829**	6,326,427
Current liabilities	**10,308,431**	9,450,891
Non-current liabilities	**3,591,963**	3,504,144
Equity attributable to owners of the Company	**373,475**	554,212
Non-controlling interests	**177,516**	246,233

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue	**12,924,506**	13,487,910
Total cost of sales, expense and other income	**(12,778,198)**	(13,094,274)
Profit for the year	**146,308**	393,636
Profit attributable to owner of the Company	**111,635**	285,917
Profit attributable to non-controlling interests	**34,673**	107,719
Dividends paid to non-controlling shareholders	**103,390**	90,230
Dividends paid to the Group	**292,372**	272,190
Capital contribution from non-controlling shareholders	**–**	11,800
Net cash inflow from operating activities	**300,893**	1,564,469
Net cash (outflow) inflow (used in) from investing activities	**(2,577,980)**	880,970
Net cash inflow (outflow) from (used in) financing activities	**77,249**	(747,873)
Net cash (outflow) inflow	**(2,199,838)**	1,697,566

43. 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 expenses recognised in profit or loss of RMB202,247,000 represents contributions payable to these scheme by the Group in respect of the current accounting period.

During the year ended 31 December 2020, the government has announced some financial measures and supports for corporates to overcome the negative impacts arising from the Covid-19 pandemic. Covid-19 related government assistance amounted to RMB110,415,000 offered from the PRC government during the year have been offset against employee retirement benefit expense. The total expenses recognised in profit or loss of RMB111,752,000 represents contributions payable to these scheme by the Group in 2020 and no such benefit occurred in 2021.

44. OPERATING LEASE ARRANGEMENT

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Within one year	**312,592**	198,968
In the second year	**196,985**	130,473
In the third year	**145,141**	79,274
In the fourth year	**103,289**	53,540
In the fifth year	**69,549**	29,391
After five years	**116,174**	37,771
	943,730	529,417

45. CAPITAL COMMITMENTS

	31/12/2021 RMB'000	31/12/2020 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	**155,106**	180,601

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 Group generally represents equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profits.

The management 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 new share issues as well as issue of new debts or the redemption of existing debts.

47. FINANCIAL INSTRUMENTS

47a. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets

	31/12/2021 RMB'000	31/12/2020 RMB'000
Financial assets at FVTPL	**1,049,847**	217,642
Financial assets at amortised cost (including cash and cash equivalents)	**7,727,968**	8,792,327
	8,777,815	9,009,969

Financial liabilities

	31/12/2021 RMB'000	31/12/2020 RMB'000
Financial liabilities, at amortised cost	**4,323,744**	4,250,172

47b. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, financial lease receivables, term deposits, cash and cash equivalents, amounts due from/to fellow ultimate holding company/subsidiaries/associates/other related parties, trade and other payables, lease liabilities and other non-current assets excluding the payment for acquisition of equity interests in subsidiaries. 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.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and term deposits (see notes 34 and 24 for details). The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank balances, related party borrowings and term deposits. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial Risk Management Objectives and Policies (Continued)

Interest rate risk (Continued)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. The directors of the Group considered this reform will not have significant impact to the Group as the Group's operation is in the PRC.

Total interest income from financial assets and finance lease income is as follows:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Interest income		
– Financial assets at amortised cost	**272,140**	279,694

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances and term 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 (2020: 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 the management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 10-basis point (2020: 10-basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the years ended 31 December 2021 and 2020 would have decreased/increased by approximately RMB5,064,000 and RMB5,810,000 respectively.

Other price risk

The Group is exposed to equity and debt security price risk in relation to its financial assets at FVTPL which mainly include listed equity investments. The unlisted equity investments and legal person shares are measured at FVTPL. In the management's opinion, the sensitivity of these investments 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 have been determined based on the exposure to equity price risk at the reporting date.

If the market prices of the respective equity instruments had been 5 % (2020: 5%) higher/lower, post-tax loss for the year ended 31 December 2021 would decrease/increase by RMB2,053,000 (2020: decrease/increase by RMB2,261,000) as a result of the changes in fair value of the financial assets at FVTPL.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial Risk Management Objectives and Policies (Continued)

Credit risk and impairment assessment

As at 31 December 2021, 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 as trade and other receivables, amount due from associate/fellow subsidiaries, finance lease receivables, deposits, cash and cash equivalents and other non-current assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

Amounts due from ultimate holding company/associates and fellow subsidiaries

The Group regularly monitors the business performance of the associates and fellow subsidiaries. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for Amount due from ultimate holding company/associates and fellow subsidiaries were insignificant and thus no loss allowance was recognised.

Finance lease receivables

For finance lease receivables, the Group makes periodic individual assessment on the recoverability of finance lease receivables based on historical settlement record, past experience, and also quantitative and qualitative information that are reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for finance lease receivables are insignificant and thus no loss allowance is recognised.

Trade receivables

Trade receivables are due from regular institutional customers with an appropriate financial strength. The Group did not experience any significant defaults by the debtors.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current and the forecast direction of conditions at the reporting date.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial Risk Management Objectives and Policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 31 December 2020:

At 31 December 2021

	Expected loss rate %	Trade Receivables RMB'000	Loss allowance RMB'000
Current (not past due)	**2**	**148,033**	**(3,556)**
1 – 30 days past due	**2**	**409**	**(8)**
More than 30 days past due	**72**	**1,806**	**(1,298)**
		150,248	**(4,862)**

At 31 December 2020

	Expected loss rate %	Trade Receivables RMB'000	Loss allowance RMB'000
Current (not past due)	2	184,383	(4,351)
1 – 30 days past due	2	3,322	(66)
More than 30 days past due	87	1,371	(1,195)
		189,076	(5,612)

Other receivables

For other receivables, most of which are interest receivables from bank and deposits paid to lessors or other third parties, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 December 2021, ECL on other receivables amounting to RMB1,906,000 (2020: RMB163,000) was recognised in the profit or loss.

Deposits

The directors of the Company believe that there are no significant increase in credit risk of deposits since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for deposits were insignificant and thus no loss allowance was recognised.

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial Risk Management Objectives and Policies (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, term deposits and financial assets at FVTPL

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 deposits and unlisted financial products recognised as financial assets at FVTPL 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 2021, the Group's bank balances and term deposits deposited in the major five banks in the PRC accounted for 58.2% (2020: 60.6%) of total term deposits and cash and cash equivalents of the Group.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial Risk Management Objectives and Policies (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, term deposits and financial assets at FVTPL (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2021	notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Amounts due from associates	33	Low risk	12m ECL	251
Amounts due from fellow subsidiaries	32	Low risk	12m ECL	37,933
Trade receivables	30	Low risk	Lifetime ECL (not credit-impaired)	148,033
		Watch list	Lifetime ECL (not credit-impaired)	409
		Doubtful	Lifetime ECL (not credit-impaired)	626
		Loss	Lifetime ECL (credit-impaired)	1,180
			Total	150,248
Other receivables	31	Low risk or watch list	12m ECL	204,387
		Doubtful	Lifetime ECL (not credit-impaired)	19,100
		Loss	Lifetime ECL (credit-impaired)	79
			Total	223,566
Deposits	31	Low risk	12m ECL	97,132
Finance lease receivables	25	Low risk	12m ECL	283,816
Term deposits	24	Low risk	12m ECL	4,557,970
Bank balances	34	Low risk	12m ECL	2,193,456
Other non-current assets	28	Low risk	12m ECL	194,386

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial Risk Management Objectives and Policies (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, term deposits and financial assets at FVTPL (Continued)

2020	notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount
				RMB'000
Amounts due from associates	33	Low risk	12m ECL	77
Amounts due from fellow subsidiaries	32	Low risk	12m ECL	43,617
Trade receivables	30	Low risk	Lifetime ECL (not credit-impaired)	184,383
		Watch list	Lifetime ECL (not credit-impaired)	3,590
		Doubtful	Lifetime ECL (not credit-impaired)	1,103
			Total	189,076
Other receivables	31	Low risk or watch list	12m ECL	122,704
		Doubtful	Lifetime ECL (not credit-impaired)	14,606
		Loss	Lifetime ECL (credit-impaired)	88
			Total	137,398
Deposits	31	Low risk	12m ECL	264,205
Finance lease receivables	25	Low risk	12m ECL	291,819
Term deposits	24	Low risk	12m ECL	5,755,800
Bank balances	34	Low risk	12m ECL	2,010,276
Other non-current assets	28	Low risk	12m ECL	209,693

47. FINANCIAL INSTRUMENTS (Continued)

47b. Financial Risk Management Objectives and Policies (Continued)

Credit risk and impairment assessment (Continued)

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2021

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Amounts due from associate	–	251	251
Amounts due from fellow subsidiaries	–	37,933	37,933
Other receivables	19,179	204,387	223,566
Deposits	–	97,132	97,132
Finance lease receivables	–	283,816	283,816

2020

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Amounts due from associate	–	77	77
Amounts due from fellow subsidiaries	–	43,617	43,617
Other receivables	14,530	122,868	137,398
Deposits	–	264,205	264,205
Finance lease receivables	–	291,819	291,819

47. FINANCIAL INSTRUMENTS (Continued)

47a. CATEGORIES OF FINANCIAL INSTRUMENTS (Continued)

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 2021, the Group has net current liabilities of RMB8,145,428,000 (2020: RMB8,418,477,000). Taking into account of the historical settlement and addition pattern of the contract liabilities and the Group's ability of withdrawal of non-current unrestricted term deposits of RMB2,160,300,000 the directors of the Company consider the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

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.

	Weighted average interest rate	On demand or less than 12 months	1-5 years	more than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021						
Trade payables	**–**	**3,467,986**	**–**	**–**	**3,467,986**	**3,467,986**
Other payables and accruals	**–**	**227,498**	**–**	**–**	**227,498**	**227,498**
Lease liabilities	**3.42-3.84**	**1,359,533**	**4,327,988**	**3,816,259**	**9,503,780**	**6,652,886**
Amounts due to fellow subsidiaries	**–**	**626,409**	**–**	**–**	**626,409**	**626,409**
Amounts due to associates	**–**	**1,851**	**–**	**–**	**1,851**	**1,851**
		5,683,277	**4,327,988**	**3,816,259**	**13,827,524**	**10,976,630**
As at 31 December 2020						
Trade payables	–	3,889,797	–	–	3,889,797	3,889,797
Other payables and accruals	–	274,614	–	–	274,614	274,614
Bank borrowing	3.05	20,051	–	–	20,051	20,000
Lease liabilities	3.42-3.84	1,378,943	4,327,044	3,877,820	9,583,807	7,103,766
Amounts due to shareholders	–	36,234	–	–	36,234	36,234
Amounts due to fellow subsidiaries	–	28,131	–	–	28,131	28,131
Amounts due to associates	–	1,394	–	–	1,394	1,394
Amounts due to other related parties	–	2	–	–	2	2
		5,629,166	4,327,044	3,877,820	13,834,030	11,353,938

47. FINANCIAL INSTRUMENTS (Continued)

47c. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group discussed with banks (representing the counterparties of the Group's purchased financial assets at FVTPL) to perform the valuation. The chief financial officer works closely with the bankers to establish the appropriate valuation techniques, inputs to the model and verifies the indicated expected return with the actual return on date of maturity. The chief financial officer reports the findings to the board of directors of the Company at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets.

Fair value measurements recognised in the consolidated 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 are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31/12/2021 RMB'000	31/12/2020 RMB'000			
1) Investments in unlisted financial products which are managed by licensed financial institutions in the PRC classified as financial assets at FVTPL in the consolidated statement of financial position	**Assets – 995,100**	Assets – 157,344	Level 2	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group. Net asset value as published by the fund manager	Not applicable
2) Investment in equity shares listed in Shanghai Stock Exchange classified as financial assets at FVPTL in the consolidated statement of financial position	**Assets – 52,875**	Assets – 58,426	Level 1	Quoted bid prices in an active market	Not applicable
3) Unquoted equity investments classified as financial assets at FVTPL	**Assets – 1,872**	Assets – 1,872	Level 3	Discounted cash flow. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio, discounted at a rate that reflects the credit risk of various counterparties	Expected yield of the underlying investment portfolio and the discount rate.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable to non-controlling interests	Bank borrowings	Amounts due to fellow subsidiaries	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 37	note 36	note 32	note 39	
At 1 January 2020	–	–	–	7,528,356	7,528,356
Financing cash flows	(114,315)	20,000	–	(1,049,064)	(1,143,379)
Operating cash flows	–	–	–	(294,903)	(294,903)
Profit for the year	–	–	–	294,903	294,903
Dividends to non-controlling shareholders	115,615	–	–	–	115,615
New lease entered	–	–	–	692,831	692,831
Lease modification	–	–	–	100,419	100,419
Lease termination	–	–	–	(168,776)	(168,776)
At 31 December 2020	1,300	20,000	–	7,103,766	7,125,066
Financing cash flows	(32,366)	(20,000)	600,000	(1,005,154)	(457,520)
Operating cash flows	–	–	–	(275,590)	(275,590)
Profit for the year	–	–	–	275,590	275,590
Dividends to non-controlling shareholders	129,341	–	–	–	129,341
New lease entered	–	–	–	982,951	982,951
Lease modification	–	–	–	(87,016)	(87,016)
Lease termination	–	–	–	(341,661)	(341,661)
At 31 December 2021	98,275	–	600,000	6,652,886	7,351,161

49. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for over 1 to 20 years. On the lease commencement, the Group recognised right-of-use assets of RMB982,951,000 and lease liabilities of RMB982,951,000 (2020: right-of-use assets of RMB692,831,000 and lease liabilities of RMB692,831,000).

50. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into significant related party transactions during the year, the details of which are set out below:

(1) Related party transactions

	Notes	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Sales to fellow subsidiaries	(a)	**736,057**	628,058
Purchases from associates	(a)	**4,424**	3,658
Purchases from ultimate holding company and fellow subsidiaries	(a)	**354,337**	318,624
Purchases from other related parties	(b)	**145**	1,687
Rental income from fellow subsidiaries	(c)	**44,709**	43,185
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	(d)	**5,532**	5,184
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	(d)	**8,144**	8,350
Service and platform usage fee charged by other related parties	(l)	**28,295**	19,177
Property management fee charged by fellow subsidiaries	(e)	**15,096**	14,311
Interest expenses on lease liabilities charged by fellow subsidiaries	(e)	**6,950**	8,692
Interest income earned from a fellow subsidiary	(f)	**18,037**	22,822
Interest expenses charged by a fellow subsidiary	(f)	**9,311**	–
Platform usage fee charged by fellow subsidiaries	(g)	**33,366**	27,358
Logistics material rental fee charged by fellow subsidiaries	(h)	**2,228**	2,456
Logistics distribution service fee charged by fellow subsidiaries	(i)	**3,208**	12,150
Logistics distribution income from fellow subsidiaries	(i)	**4,999**	–
Logistics distribution fee charged by the other related parties	(j)	**4,910**	5,149
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	(k)	**19,235**	22,179
Transaction amounts transferred from a fellow subsidiary's settlement account into the Group's relevant account upon redemption of membership points by the customers	(k)	**13,019**	13,985

50. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

Notes:

(a) This represents sales to fellow subsidiaries and purchase from fellow subsidiaries, associates and ultimate holding company 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) This represents purchase from Hangzhou Alibaba International Trading Co., Ltd. ("Hangzhou Alibaba") in respect of various kinds of goods, including but not limited to foods, fresh produce and industrial products. Hangzhou Alibaba is a fellow subsidiary of Alibaba (China) Technology Co., Ltd. ("Alibaba China"), which is a substantial shareholder and therefore is a connected person of the Group.

(c) Certain areas of the Group's hypermarkets are leased to fellow subsidiaries which were charged in accordance with the terms of the underlying agreements at the market price.

(d) 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% (2020: 0.5%) as agreed between 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.

(e) These represent rental expenses and property management fee of certain hypermarkets charged by the fellow subsidiaries. Under HKFRS 16, except for lease contracts with short-term exemption, the lease expenses paid in the current period are divided into lease liabilities and related interest expenses, which were charged in accordance with the terms of the underlying agreements at the market price.

(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 and loan service to the Company at a 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) This represents the platform usage fee charged by Bailian which is no more than 4% of the total transaction amount of goods sold through Bailian and/or its subsidiaries on behalf of the Group through their e-commerce platforms according to the terms of the underlying agreements.

50. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

Notes: (Continued)

(h) These logistics resources service fees of the Group was charged by Bailian Group and fellow subsidiaries controlled by Bailian Group. The fee was charged in accordance with the terms of the contracts at the market price.

(i) The distribution service fee and income of the Group was charged and collected by Bailian Group and fellow subsidiaries controlled by Bailian Group. The fee included but was not limited to distribution, transfer and return services in Shanghai, as well as distribution and warehousing services outside Shanghai. Distribution service referred to the distribution of goods from Bailian Group to the Group in the stores, while warehousing service referred to the service of storing, sorting and discharging goods.

(j) The distribution service fee of the Group was paid to the fellow subsidiaries of Alibaba China. The fee was charged in accordance with the terms of the contracts at market price.

(k) These represent the transaction amounts transferred between Bailian Finance and the Group in respect of the membership bonus points earned/redeemed by the customers of Lianhua Group. Under the membership points agency and settlement service agreement between Bailian Finance and the Group, the Group will transfer the transaction amounts earned by the customers on consumption in Lianhua Group to Bailian Finance. Alternatively, Bailian Finance will transfer the transaction amounts on redemption of the membership bonus points by the customers to the Group.

(l) This represents the service and platform usage fees paid by the Group to Alipay.com Co.,Ltd ("Alipay"), Lazas Technology (Shanghai) Co., Ltd., ("Lazas"), Zhejiang Tmall Network Technology Co., Ltd. ("Tmall") and Hangzhou Taoxianda Network Technology Co., Ltd. ("Taoxianda") for using the platform selling various kinds of merchandise and the equipment that supports the system of Alipay to identify the bar code or QR code on end customers' smart phones or other wireless equipment to complete the settlement process. Alipay is a fellow subsidiary of Alibaba China, which is a substantial shareholder and therefore is a connected person of the Group.

50. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party balances

The Group entered into a financial services agreement with a fellow subsidiary controlled by Bailian Group, pursuant to which the fellow subsidiary agreed to provide the Group the deposit and loan services at a rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.

During the year, the Company entered into a new Investment and Wealth Management Cooperation Framework Agreement with Shanghai Securities, pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, including but not limited to investment products, entrusted investment services and other investment cooperation.

The summary of cash and cash equivalents, unrestricted term deposits, investment made in and borrowings owed to a fellow subsidiary is set out as below:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Cash and cash equivalents in a fellow subsidiary	**539,008**	502,535
Unrestricted term deposits in a fellow subsidiary	**–**	350,000
Borrowing from a fellow subsidiary	**600,000**	–
Investment and wealth management cooperation with a fellow subsidiary	**794,640**	–

The summary of lease liabilities and lease receivables to/from related party is as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Lease liabilities	**167,373**	220,557

(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, jointly controlled or significantly influenced 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, deposits placement, and bank borrowing with other Government Related Entities.

In view of the nature of the retail business operated by the Group, the directors of the Company 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 both years, significant amount of the Group's purchase were from Government Related Entities and most of the Group's deposits and bank borrowing are placed with and advanced from banks which are also Government Related Entities.

50. RELATED PARTY TRANSACTIONS (Continued)

(4) Compensation of key management personnel

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

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Salaries and other short-term employee benefits	**12,891**	18,655
Post-employment benefits	**642**	491
Other long-term benefits	**261**	189
	13,794	19,335

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANYS

Details of the Company's principal subsidiaries at the end of the reporting period are set out below.

Name of entities	Date of establishment	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion voting power and ownership interest held by the Company Directly 2021 %	Directly 2020 %	Indirectly 2021 %	Indirectly 2020 %	Principle activities
Shanghai Century Lianhua supermarket Development Co., Ltd (上海世紀聯華超市發展有限公司)	24 November 1997	The PRC	500,000	**100.00**	100.00	**–**	–	Hypermarket
Lianhua Huashang (杭州聯華華商集團有限公司)	1 June 2001	The PRC	120,500	**74.19**	74.19	**–**	–	Hypermarket and supermarket
Lianhua Supermarket Jiangsu Co., Ltd. (聯華超市(江蘇)有限公司)	21 March 2003	The PRC	50,000	**100.00**	100.00	**–**	–	Hypermarket and supermarket
Guangxi Lianhua Supermarket Joint Stock Co., Ltd. (廣西聯華超市股份有限公司)	18 November 2001	The PRC	68,670	**95.00**	95.00	**–**	–	Hypermarket, supermarket and convenience store
Shanghai Lianhua Supermarket Development Co., Ltd. (上海聯華超級市場發展有限公司)	8 April 2006	The PRC	10,000	**100.00**	100.00	**–**	–	Supermarket
Lianhua Quik Stores Co., Ltd. (上海聯華快客便利有限公司)	25 November 1997	The PRC	493,000	**100.00**	100.00	**–**	–	Convenience store
Shanghai Yanyu Trading Co., Ltd (上海岩鈺貿易有限公司)	29 October 1998	The PRC	5,000	**100.00**	100.00	**–**	–	Purchase and distribution
Lianhua Logistic Co., Ltd. (聯華物流有限公司)	17 October 2007	The PRC	100.00	**100.00**	100.00	**–**	–	Purchase and distribution
Lianhua E-business Co., Ltd. (聯華電子商務有限公司)	4 October 1995	The PRC	55,000	**100.00**	100.00	**–**	–	Trading
Hualian Supermarket Holdings Company Limited (華聯超市股份有限公司)	15 August 2006	The PRC	300,000	**99.40**	99.40	**0.60**	0.60	Supermarket

Note: Guangxi Lianhua Supermarket Joint Stock Co., Ltd and Hualian Supermarket Holdings Company Limited are Company limited by shares. Other entities above are all limited liability Company. None of the subsidiaries had issued any debt securities at the end of the year.

52. STATEMENT 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:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Non-current assets		
Property, plant and equipment	**160,862**	167,121
Construction in progress	**3,585**	2,358
Intangible assets	**9,333**	12,132
Investments in subsidiaries	**1,706,220**	1,706,220
Interests in associates	**354,876**	354,876
Financial assets at fair value through profit or loss ("FVTPL")	**5,909**	6,084
Term deposits	**250,000**	300,000
Deferred tax assets	**92**	204
Other non-current assets	**1,853**	1,976
Amounts due from subsidiaries	**1,301,485**	–
	3,794,215	2,550,971
Current assets		
Inventories	**614,934**	774,168
Deposits, prepayments and other receivables	**333,972**	46,584
Amounts due from fellow subsidiaries	**4,805**	4,035
Amounts due from subsidiaries	**5,180,503**	5,724,049
Amounts due from associates	**251**	77
Financial assets at FVTPL	**–**	–
Term deposits	**100,000**	520,000
Cash and cash equivalents	**854,593**	1,033,030
	7,089,058	8,101,943
Total assets	**10,883,273**	10,652,914

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Information about the statement of financial position of the Company at the end of the reporting period includes: (Continued)

	31/12/2021 RMB'000	31/12/2020 RMB'000
Capital and reserves		
Share capital	**1,119,600**	1,119,600
Reserves	**5,585,870**	5,386,506
Total equity	**6,705,470**	6,506,106
Non-current liability		
Deferred tax liabilities	**1,149**	1,193
Current liabilities		
Trade payables	**1,671,501**	1,700,769
Tax payable	**10,904**	9,554
Other payables and accruals	**156,021**	162,932
Contract liabilities	**1,902,554**	1,765,168
Amounts due to ultimate holding company	**–**	36,234
Amounts due to fellow subsidiaries	**24,882**	24,274
Amounts due to subsidiaries	**408,941**	445,288
Amounts due to associates	**1,851**	1,394
Amounts due to other related parties	**–**	2
	4,176,654	4,145,615
Total liabilities	**4,177,803**	4,146,808
Total equity and liabilities	**10,883,273**	10,652,914
Net current assets	**2,912,404**	3,956,328
Total assets less current liabilities	**6,706,619**	6,507,299

Movement in the Company's reserves

	Share capital RMB'000	**Capital reserve** RMB'000	**Other reserve** RMB'000	**Statutory common reserve fund** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2020	1,119,600	258,353	3,595	559,800	4,300,380	6,241,728
Profit and total comprehensive income for the year	–	–	–	–	264,378	264,378
At 31 December 2020	1,119,600	258,353	3,595	559,800	4,564,758	6,506,106
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**199,364**	**199,364**
At 31 December 2021	**1,119,600**	**258,353**	**3,595**	**559,800**	**4,764,122**	**6,705,470**

Contents

Performance Overview

Environmental Responsibility

Compared with 2020, in 2021 the Group:

- Scope 1 GHG emissions: down by 10.5%
- Amount of non-hazardous waste generated: down by 11.4%
- Amount of hazardous waste generated: down by 22.1%
- Water consumption: down by 10.8%

Social Responsibility

- Total number of employees: 27,780
- Percentage of employees trained: 96.31%
- Average training hours completed per employee: 18.93 hours
- Complaint treatment rate with respect to products and services: 100%
- Number of volunteers: 3,907 person-times

Social Recognition

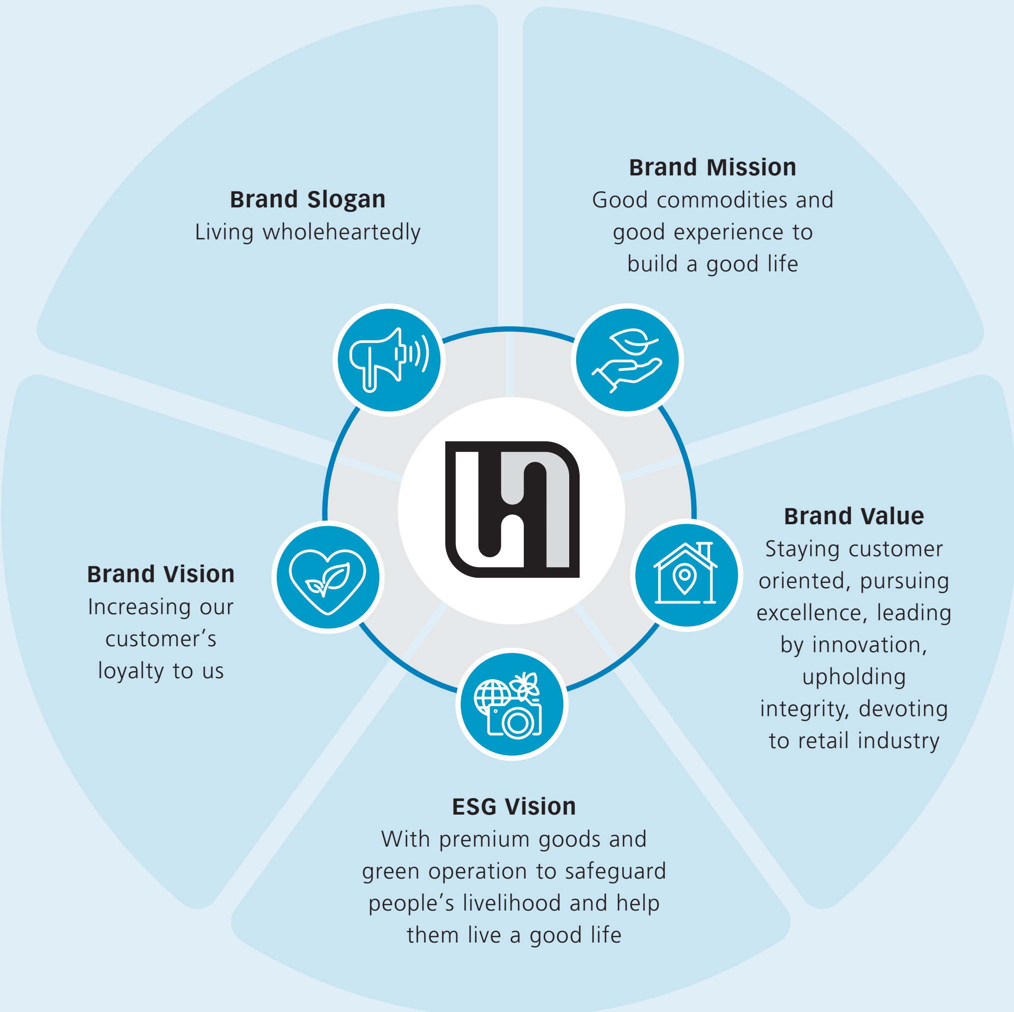
- The Company was granted the (5th) China Retail Supply Chain and Logistics Summit 2021 – Enterprise with Best Supply Chain Management in Fresh Grocery, Food and Catering Sector
- The Company was granted Medal of Shanghai & Kashgar's Premium Products Counter under Shanghai Helping Xinjiang Project granted by the Kashgar District Administrative Office of the Xinjiang Uygur Autonomous Region, the Shanghai Helping Xinjiang Forward Command, the Shanghai Municipal People's Government Office in Xinjiang, and the Shanghai Consume-to-Aid Alliance
- The Company was granted Gold Star Award – Excellent Team & Excellent Product of the 5th Private Label Fair Asia granted by the Organizing Committee of the Private Label Fair Asia
- Lianhua Huashang was dubbed "Innovative Enterprise with Proprietary Brand 2021" in Zhejiang's Retail Chain Industry
- Lianhua Guangxi Company was granted the "Guangxi Labor Day Certificate" by the Federation of Trade Unions of Guangxi Zhuang Autonomous Region

1 Corporate Social Responsibility Management

1.1 ESG Vision and Strategy

ESG Vision

In line with its corporate vision known as "increasing our customer's loyalty to us" (讓消費者更喜愛我們), the Company sets its corporate mission as "good commodities and good experience to build a good life" (好商品、好體驗構建人情好生活) with its ESG vision defined as "with premium goods and green operation to safeguard people's livelihood and help them live a good life", which reflects its ESG concept as an operator running business concerned with people's livelihood: to ensure supply of daily necessities and help consumer realize high-quality lifestyle and to build a better living environment through offering high-quality products and services as well as eco-friendly and sustainable operation.



ESG Strategy

With the increasing concern of the capital market on environment, society and governance (ESG), the Company, after giving full consideration to its business as well as the appeals of its stakeholders, put forward its ESG management strategies covering four major aspects, i.e. goods and services, employee development, green operation, community and people's livelihood.

Goods and services

For the short-to-medium term (3 to 5 years):

- Create a culture of responsibility that values integrity and compliance to ensure smooth development of our operations;
- Continue to improve our product quality management system, strengthen the quality control of our suppliers, and ensure the quality of our products;
- Constantly improve the shopping environment of our stores to ensure safety and hospitality.

For the long term (5 to 10 years):

- Continuously improve our product quality management and shopping environment to provide diversified and high-quality products and friendly services that meet the needs of customers and markets.

Employee development

For the short-to-medium term (3 to 5 years):

- Respect and safeguard the legitimate rights and interests of our employees, and build a harmonious relationship with them with a multi-level communication mechanism and employee caring activities;
- Provide a safe and enjoyable working environment for our employees;
- Provide diversified and innovative training resources and career development channels to empower our employees' development.

For the long term (5 to 10 years):

- Strive to make us an excellent employer in the industry and empower the innovative development of the retail industry.

Green operation

For the short-to-medium term (3 to 5 years):

- Promote green stores to improve resource efficiency and reduce greenhouse gas emissions;
- Introduce green office operation, green logistics and green warehousing to reduce greenhouse gas and waste emissions in the operation process of the Group.

For the long term (5 to 10 years):

- Strengthen education for consumers on sustainable consumption, reduce consumers' impact on environment, and advocate sustainable consumption;
- Advocate sustainable production and reduce the impact of suppliers' commodity production on the environment.

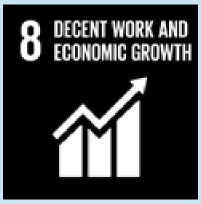
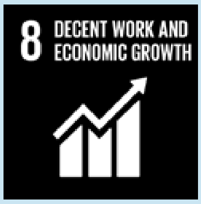
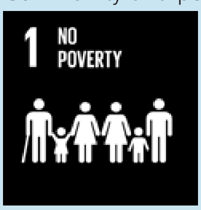
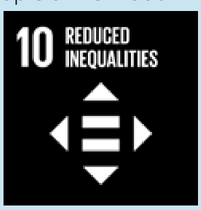
Community and people's livelihood

For the short-to-medium term (3 to 5 years):

- Give a fully play of our role in guaranteeing people's livelihood, and ensure supply of basic commodities in case of social emergency;
- Actively participate in volunteer service and social welfare activities, and strengthen integration with the community.

For the long term (5 to 10 years):

- Establish our brand of social welfare in line with the Company's principal business, continue to participate in community and social welfare activities, to improve our social influence.

ESG Strategy	Practice of Primary Responsibilities
• Goods & services 	• Create a culture of responsibility that values integrity and compliance • Strictly guarantee the quality of goods • Provide safe and healthy food • Build a safe and enjoyable shopping environment
• Employee development 	• Ensure equal employment and democratic communication for employees, and carry out employee care activities • Protect the occupational health and safety of employees • Provide our employees with training and development opportunities
• Green operation 	• Improve our environmental management system • Green stores • Green logistics and warehousing • Carry out green concept promotion activities
• Community and people's livelihood 	• Carry out public welfare activities in community • Help farmers through purchase, pair with and help people in poverty-stricken areas • Ensure supply for people's livelihood

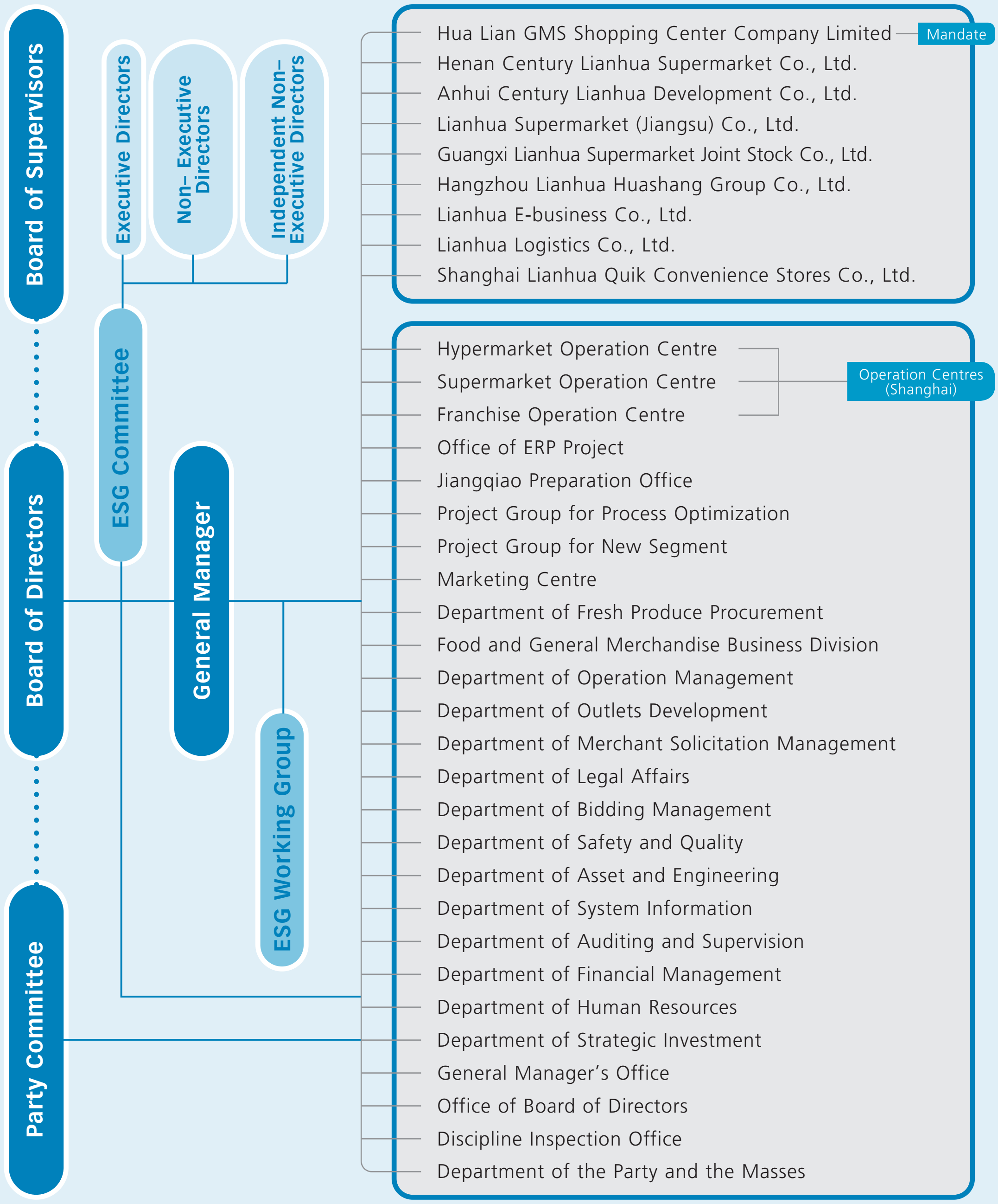
The Company established quantified performance targets for its greenhouse gas emissions, waste reduction, improvement on energy efficiency and water efficiency, etc. in 2021. The Board of Directors reviews the Company's ESG performance and the achievement of its ESG targets for the previous year in the first quarter of each year to ensure that its ESG performance is properly disclosed in its ESG Report as an effort to ensure the achievement of ESG targets.

1.2 ESG Governance Structure

In line with the increasing concern of China's capital markets on ESG issues, the Board of Directors strengthened its supervision of the ESG performance of the Group. In 2021, the Group formulated the Terms of Reference for the Environmental, Social and Governance (ESG) Committee of Lianhua Supermarket, which further clarified the Group's ESG management structure as well as the composition, responsibilities and rules of procedure of the ESG Committee.

The Board of Directors of the Group has established an ESG Committee under it, which is composed of Executive Directors, Non-Executive Directors and Independent Non-Executive Directors, and responsible for the decision-making in respect of the Group's ESG issues as a whole; an ESG Working Group made up of members from the relevant departments and affiliates has also been established to promote the implementation and improvement of specific ESG work.

ESG Governance Structure



ESG Committee under Board of Directors

The ESG Committee under the Board of Directors has overall responsibility for the Company's ESG performance, including:

a) identifying and assessing the Company's ESG-related risks and opportunities;
b) ensuring that appropriate and effective ESG risk management and internal control systems are in place;
c) formulating the Company's ESG management policies, strategies, priorities and objectives;
d) regularly reviewing the Company's efforts in achieving its ESG objectives;
e) approving disclosures in the Company's ESG reports, etc.

ESG Working Group

As the manager and coordinator of ESG issues to ensure implementation of ESG tasks by each relevant department, the ESG Working Group has the following responsibilities:

a) guiding and reviewing formulation of ESG management policies and strategies;
b) overseeing formulation and implementation of ESG objectives, and reviewing the progress of achieving such objectives;
c) guiding and reviewing the identification and sorting of important ESG topics;
d) assisting in the preparation of annual ESG reports and other ESG-related information, and submit the same to the Board of Directors for consideration and approval for disclosure;
e) identifying ESG risks in relation to the Company each year, assessing the impact of such risks on the Company and advising the Board on how to cope with such risks;
f) other responsibilities delegated by the Board of Directors.

1.3 Communication with Stakeholders

The Group cares sincerely about the needs and concerns of its stakeholders, and identifies its key stakeholders and their focuses on the basis of its own business and operations, with reference to those of its domestic and foreign counterparties. In addition, the Group explores diversified communication methods and actively responds to the requests of its stakeholders in its daily management and business practices in order to achieve sustainable development of the Company.

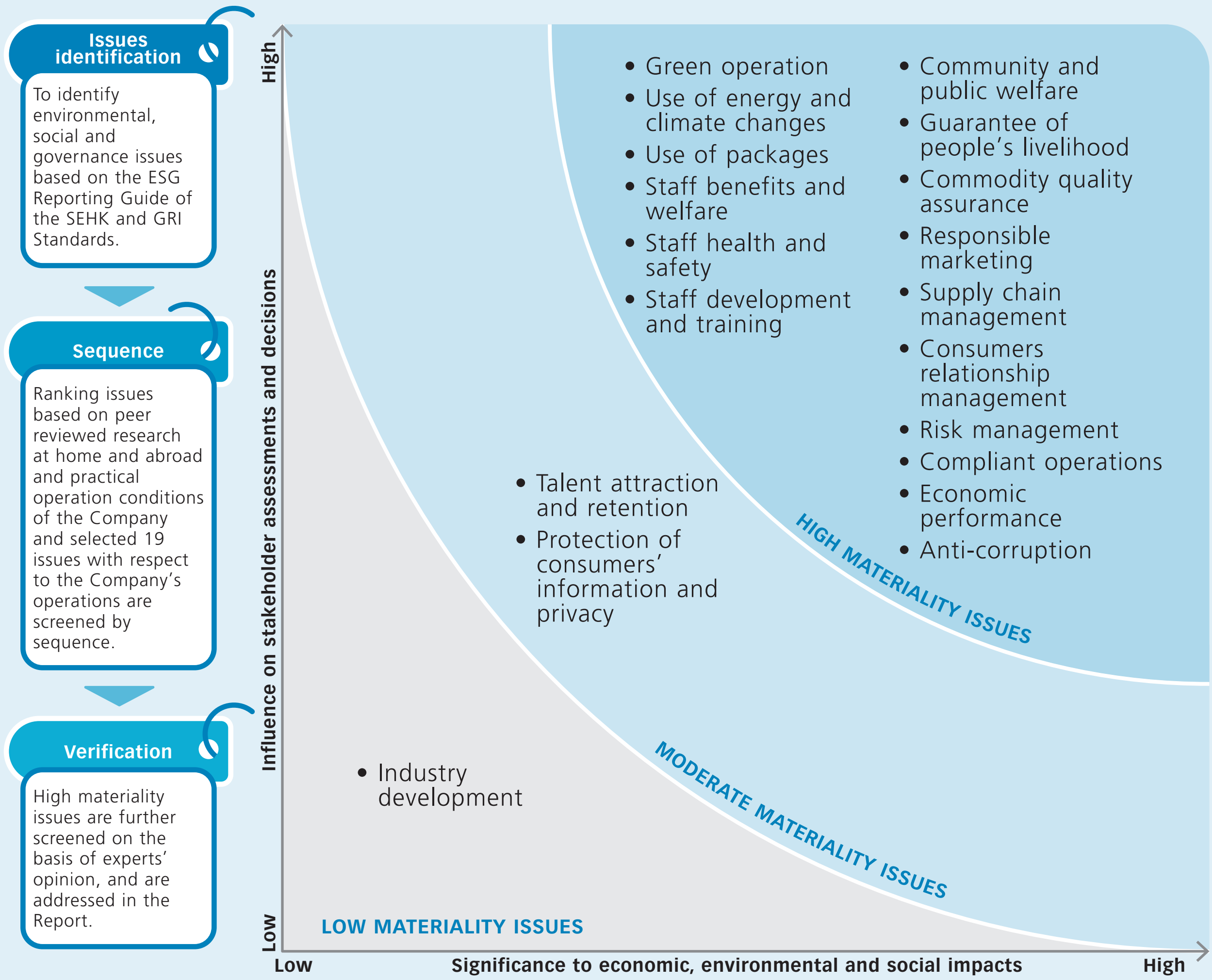
Key stakeholders of Lianhua Supermarket and issues for communication therewith

Key Stakeholders	Topics of Interest	Communication and Response
Shareholders	• Compliant operations • Risk management • Economic performance • Anti-corruption	• Information disclosure of listed companies • Shareholder meeting • Investor meeting
Government and regulators (including the Market Supervision Administration, the Food and Drug Administration, etc.)	• Compliant operations • Anti-corruption • Green operation • Use of packages • Use of energy and climate changes	• Policy implementation • Information disclosure
Consumers	• Commodity quality assurance • Responsible marketing • Consumer relationship management • Protection of consumers' information and privacy	• Consumer consultation and complaint platform • Customer satisfaction survey
Suppliers	• Supply chain management	• Supplier review and evaluation • Supplier meeting • Communication and visits
Staff	• Staff benefits and welfare • Staff health and safety • Staff development and training • Talent attraction and retention	• Trade union and employee representative meetings • Staff activities • Staff training • Internal publications
General public and community	• Community and public welfare • Guarantee of people's livelihood • Green operation	• Social poverty alleviation activities • Community service activities
Industry organization	• Industry development	• Industry association activities

1.4 Analysis of Material Issues

In 2021, the Group identified 19 material ESG issues based on its own business and operational characteristics in accordance with the ESG Reporting Guide of the SEHK as well as national and industry policies, and with reference to the reports of its industry peers at home and abroad. After consulting the external experts, the Group ranked those material issues based on their importance to its stakeholders and the significance of their impacts on the external environment, and classified those with high impact on the stakeholders' judgement and decision making as well as on the economy, environment and society as issues of high materiality.

Matrix of Material Issues of Lianhua Supermarket



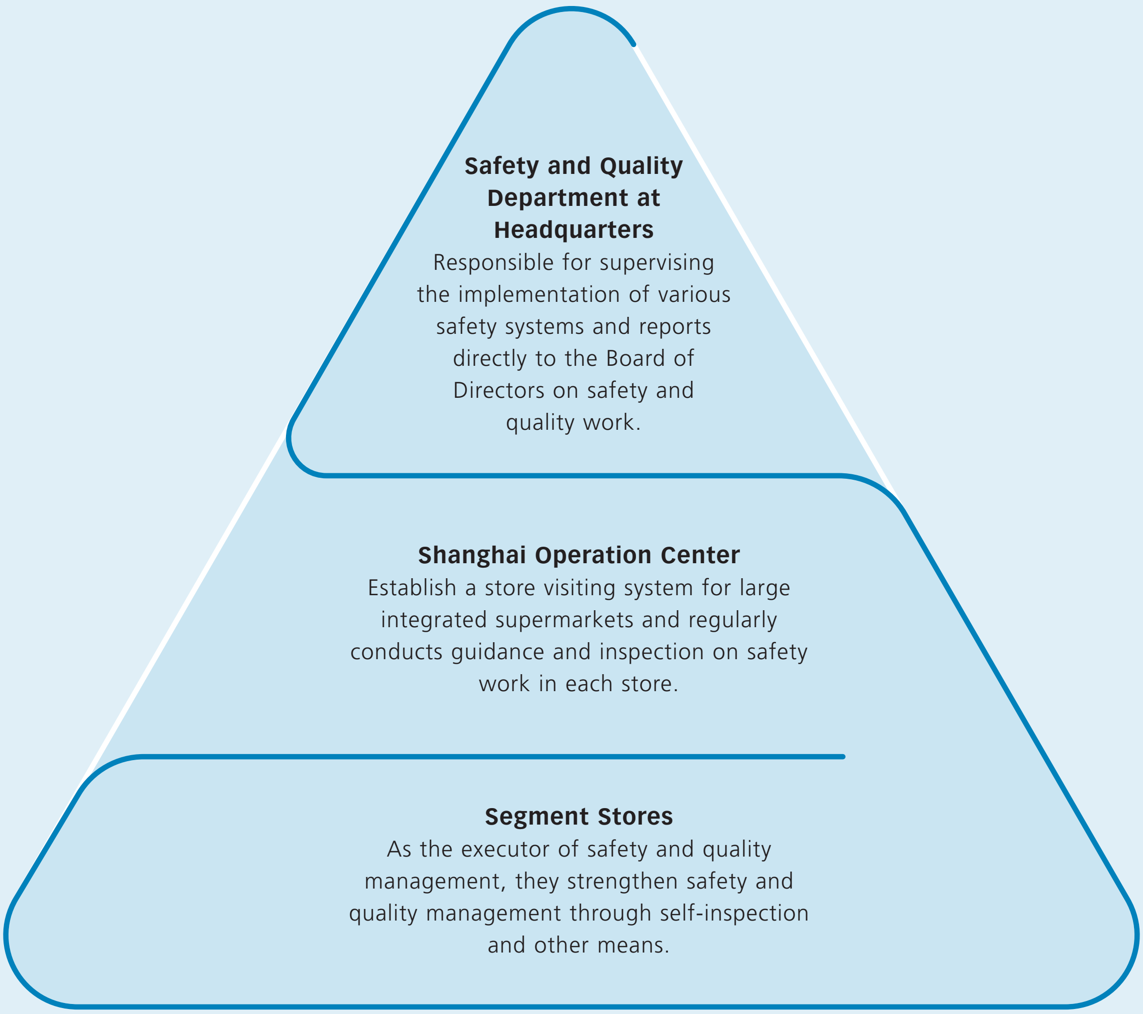
2 Providing Customers with Products and Services of Superior Quality

2.1 Product quality management

Quality management system

The Group complies strictly with the Food Safety Law of the People's Republic of China, the Regulations for Implementation of the Food Safety Law, the Measures for the Retrospective Management of Food Safety Information in Shanghai and other relevant laws and regulations and adheres to its quality guidelines known as "Priority to safety, focus on prevention, take proactive actions, and service empowerment", while persistently improving its three-level (Safety and Quality Department at Headquarters – Shanghai Operation Center – Segment Stores) safety & quality management system. In 2021, the Group carried out the three-level inspection and rectification and three-level training, aiming to promote the continuous upgrade of its safety and quality management.

Three-level Safety & Quality Management System



Scope of the Three-level Safety and Quality Management

Three-level inspection and rectification	• Self-inspection by stores, random inspection by operation centers/segment companies, and supervision under the safety and quality department at the Headquarters.
Three-level feedback	• Rectification, feedback and verification of problems according to the three-level (store-operation center/segment company-headquarters) feedback .
Three-level training	• Training for front-line employees held by stores, training for store managers by operation centers/segment companies, and training for key managers of operation centers/segment companies by Headquarters.
Three-level notification	• Regulations and notices are passed down through the three-level hierarchy.
Three-level reporting	• Complaints and random checks are reported through the three-level hierarchy.

The Group's product quality management involves supplier review, product review, product acceptance, inspection of on-shelf products and disposal of defective goods. In 2021, the Group further improved its systems and processes, e.g. "Review & Management Procedures for Supplier of Proprietary Brands", "Review & Management Procedures for Proprietary Products", "Measures for Management of Product Certificates and Invoice", "Process for Handling Unqualified Cases", to ensure the quality and safety of the goods on shelf.

Product Quality Review Process

Process	Measures
Review of suppliers	• Review of supplier qualifications and credit • On-site review by a third-party professional organization for the production of proprietary goods
Review of products	• Commodity qualification review: claims for certificates and invoice (certificate of qualification, etc.) • Physical review: sample packaging, intuitive determination of food quality, weight of goods, product batch qualification certificates
Commodity acceptance control	• Testing centers and stores to manage product quality acceptance
Inspection of goods on shelf	• Strictly monitor the quality and safety of the products sold by such means as third-party inspections, spot checks, and feedback
Disposal of unqualified products	• Safety and Quality Department, Purchasing Department, Comprehensive Commodity Management Department, Lianhua Logistics, operation centers/stores are jointly responsible for the handling of defective goods • Formulate emergency responding and disposal measures, determine the process of handling defective goods, and initiate refunds

In 2021, the Group were punished 18 times by law enforcement authorities for product defects. For the defective goods, the Group removed/recalled all of them immediately, analyzed the reasons for the defects, and helped the suppliers/manufacturers make rectifications. In addition, the Group actively cooperated with relevant law enforcement authorities to solve the problems in a timely and efficient manner, and as of now, all the 18 accidents have been properly dealt with.

Supplier management

As a retailer, the Group's main supplier is the supplier of products and all the products the Group sells are from its suppliers, which mainly include those of private-label products and non-private-label products. The Group continuously strengthens the management of basic certificates and packaging label certificates for procurement to ensure that suppliers' licenses meet the requirements of relevant laws and regulations. The Safety and Quality Department of the Group is responsible for supplier management, including reviewing their qualifications, and for those with incomplete qualifications or fake licenses, or who have been blacklisted, the Group will resolutely reject them.

Licenses Examination – Suppliers shall submit the following valid licenses based on the types and categories of their products (food, cosmetics, disinfection products and disposable sanitary products, home appliances, other general merchandise, imported goods), including but not limited to:

Basic licenses: Business license, food business license or production license, trademark registration certificate, barcode certificate, single product inspection report, national industrial production permit, sanitary permit for cosmetics, organization code certificate, alcoholic products wholesale license, sanitary permit for disinfection products, and tax registration certificate

Packaging label certificates: health food approval document, green food certificate, organic food certificate, halal food certificate, HACCP certificate, ISO9001 certificate, ISO22000 certificate, genetic modification registration certificate, origin certificate, special cosmetics registration certificate, etc.

For private label suppliers, in 2021, the Group revised the *Quality Control Process for Private-label Products of Lianhua Supermarket*, *Review Procedures for Suppliers of Private-label Products* and *Review Procedures for Private-label Products*, so as to improve the review process for suppliers of private label products and ensure product quality.

In 2021, the Group introduced hierarchical management for its private-label suppliers to exercise supervision of different degrees on them in accordance with the third-party review score and risk degree of their production sites, with the manufactured products subject to random checks before they enter the warehouse and during the sales process, so as to ensure that each "Lianhua Manufactured Product" is safe and risk-free.

Review Process of Suppliers of Private-label Products

Initial Review	Factory Review	Signing and Receipt of Goods	Sales Tracking
• Review of licenses	• Review and evaluation by third-party professional organizations, including production environment, production process, quality management system, etc. • Second review for newly selected brands	• The third party conducts spot check on quality, clears the first batch of unqualified products, and terminates the cooperation • Check the factory inspection report	• At least 2 spot checks shall be conducted for private-label foods that have been on the market every year • Unannounced inspection of manufacturers

In addition, in terms of supplier management in relation to their social responsibilities, the Group monitors our suppliers' behaviors by searching their criminal records on China Judgments Online, and adding binding clauses to all our sales contracts, which stipulate that suppliers whose records of criminal records are found on China Judgments Online will be blacklisted with restricting access to our projects, deprived of their bidding qualifications, prohibited from undertaking our projects, and deprived of their qualifications as our suppliers.

In terms of supplier management in relation to their environmental responsibilities, the Group will give priority to those who have passed certification in technological innovation, energy conservation and environmental protection when selecting its suppliers.

Assurance of food safety

Food safety management

Food safety remains as the Group's top priority as it has established a food safety network covering Safety and Quality Department at the Headquarters, Shanghai Operation Center, Quik Convenience, GMS and other member companies in other regions, which serves to pass from top to bottom the government's requirements for food safety and the notices of the relevant activities of the Company, and communicate food safety-related information on a regular basis from bottom to top to promote its food safety management.

The Group formulated acceptance standards for different categories of groceries such as cooked food, aquatic products, vegetables, fruits, bread, meat and poultry products, frozen and refrigerated goods, etc., in terms of invoices, transportation and quality. In order to advance its food safety assurance efforts, in 2021, the Group organized trainings on epidemic prevention and control, cold chain traceability of imported food, basic knowledge of food safety hazards and risks, food safety emergency plan drill in Shanghai, and biological hazards of food, in conjunction with the implementation of the Ten Standards for Epidemic Prevention in Lianhua, and Food Safety Law Implementation Regulations of Bailian Group and other requirements.

In 2021, the Group completed a total of 1,000 inspections on food safety, organized 22 online and offline trainings on food safety, with 47,648 participants. In addition, in order to ensure food safety, the Group entrusted a third-party professional auditor to conduct inspections on food safety in 93 stores (departments) under Lianhua Group, with 81 of them receiving A (excellent), 6 stores receiving A+, indicating an acceptability rate of 96.77%, and an excellence rate of 87.10%, up by 22.93% year-on-year.

Quality assurance of fresh ingredients

The Group is committed to building a supply chain model of direct purchase at the base, and has been continuously improving the processes and systems of planting, harvesting, processing, transportation and acceptance, and comprehensively evaluating the base of direct purchase from the perspective of origin, climate, soil and production mode to ensure the quality of fresh ingredients.

Product Quality Assurance Measures for the Self-Managed Vegetable Base

Regulations Construction	Safety Production	Quality Control Management
1. Implement the responsibilities and work processes of supervisors of the base; 2 Planting supervision system and planting process; 3. Improve the system of product harvesting, processing, transportation and acceptance; 4. Price verification.	1. Maintain field production records and pesticide application records; 2. Standardize the pesticide residue testing, implement the testing system, and ensure accountability; 3. Ensure timely uploading of information and data.	1. Formulate commodity quality standards; 2. Ensure proper harvesting, processing and sorting of products; 3. Ensure safe logistics distribution and cold chain facility during transportation.

Vegetable Quality Management Process

Planting stage	• Fertilizers and pesticides must comply with the relevant regulations of the PRC • Maintain good ledger records according to the relevant requirements, so that the entire planting process can be traced
Testing stage	• Each type of products must be tested twice, one in the greenhouse the day before picking, which can be picked only if it meets the standard, and then tested again on the day of delivery, and can be distributed only if it meets the standard
Distribution stage	• The test report must accompany the vegetable, and be accepted and publicized in the store • 5% of the vegetables should be picked for a random check to make sure the vegetables are free from yellow leaves and mud, and are clean and fresh • For twice a year, the Bureau of Measurement will conduct testing of our pesticide residue testing equipment, so as to guarantee the accuracy and reliability of the inspection data
Sales stage	• Supervise the partners to harvest vegetables and distribute them at the prescribed time, and there should not be more than 24 hours between the time the vegetables are picked and the time when they are put on shelf • Carry out a series of brand promotion activities such as screening for the best products, putting on display, holding promotional activities, and selling via live broadcasts on the platform

Case: Chongming Select in Lianhua

The Group carried out a full range of producer-dealer matchup activities in Chongming District, and promote the Chongming Select products through holding marketing activities, putting the products on the platform, and running live shows. According to the seasons in which the Chongming agricultural products are available on the market, we arranged for the producers of Chongming rice, Chongming vegetables, Chongming pork, Chongming citrus, Chongming poultry and other types of Chongming fresh agricultural products to meet up with the dealers at the right time, resulting in a 200% increase in the sales volume of Chongming Select products.

Digitalization Guarantees Food Safety

The Group is constantly exploring new models and new ways to develop the Lianhua Food Safety Information Traceability and Licensing System, and ensure good quality and safety of the products from the very beginning. By 2021, the Group has completed System requirements analysis, prototyping, software development, testing, traceability data upload, etc., which has enabled direct printing of the food traceability QR code on the label in the digital transformation pilot store, thus guaranteeing food safety with digital technology.

As of 15 December 2021, the Group has completed the switching of digital systems in 29 stores, aiming to drive digital restructuring of the stores with the digital system, and improve the efficiency in card printing, ordering/return/acceptance, traceability code maintenance, data query, cashier daily settlement, and after testing, we were able to reduce the number of staff by 3 per store with the new system as compared with the old system, thus protecting our products technically while saving manpower.

Responsible marketing

The Group strictly abides by the Trademark Law of the People's Republic of China, the Advertising Law of the People's Republic of China and other laws and regulations, and ensures responsible marketing through the review and management of marketing information such as product labels and promotional information. The Group continues to explore consumer communication channels and hopes to actively interact with consumers through a series of marketing, festival, public welfare and handicraft activities. In addition, the Group exercises reasonable care in the presentation and proper use of marketing information, so as to circumvent improper wordings. The promotional information can be publicized only after it is reviewed by an adequate group of people, so as to eliminate to the greatest extent possible the possibility of improper marketing caused by subjective factors. In 2021, the Group did not violate any laws and regulations when conducting marketing activities (including advertising, marketing and sponsorship).

2.2 Customer Service

Ensuring Safe Shopping Environment

Maintaining a safe shopping environment is the foundation of the Group's operations. The Group manages the safety of its stores under a three-level safety quality management system, and ensure safety accountability by signing the *Letter of Responsibility for Safe Production* and *Letter of Commitment to Safe Production* with its employees. In 2021, the Group carried out safety drills and training, safety audits and rectifications to enhance safety management, safety awareness and safety risk prevention, and ensure the safety of consumers during shopping. In 2021, there were no incidents of consumer casualties in the Group's stores.

Key Safety Initiatives in 2021

Safety drills and training	Safety inspection and rectification
• Carried out fire and emergency drills • Comprehensively carried out publicity, education and training on safety regulations, knowledge, and skills through centralized training, micro-course training, onsite practical operations, etc.	• Daily inspections and Special inspections. In 2021, we completed 1,137 safety production inspections, organized 6 online and offline trainings on safety production, with 25,327 participants

Against the background of normalized epidemic prevention and control efforts, in order to ensure a safe shopping environment, the Group has formulated and issued the *Ten Standards for Epidemic Prevention of Lianhua* and the *Procurement Process for Imported Cold Chain Food* to be implemented by its stores. According to the requirements of the market administrative authorities, staff in our stores all purchased and wore disposable face masks, received vaccination, conducted nucleic acid testing regularly for cold chain employees, regular disinfected the sales and distribution sections along the cold chain, prepared traceability, purchase inspection and health inspection certificates, nucleic acid testing certificates and disinfection reports, and uploaded traceability information to the "Shanghai Cold Chain (滬冷鏈)" APP.

The Safety and Quality Department of the Group inspects the epidemic prevention performance of the stores, summarizes the feedback, and guides the stores to take proper epidemic prevention measures. In addition, in order to further enhance the awareness of our employees of epidemic prevention, the Group has produced a micro-course on epidemic prevention, and all employees have studied the course on the "Bailian i Learning" platform, so as to ensure the safety of the shopping environment under the normalized epidemic prevention and control situation.

Create a Great Shopping Experience

The Group strives to create a good shopping experience and provide high-quality services to its consumers. In order to "increase our customer's loyalty to us", the Group has formulated a series of standards such as the Customer Service Manual and the Plan on Service Improvement, and has taken a number of initiatives to continuously enhance the shopping experience of our consumers.

In 2021, the Group continued to promote the digital transformation of traditional stores, and strove to create a convenient, intelligent and fresh new form of store to optimize customer experience in our stores. As of 31 December 2021, the Group has completed the full coverage of digitalization in Shanghai and the kick-off of pilot projects in Jiangsu and Anhui, upgrading a total of 427 stores with digital technology. Through the implementation of the digital store management system and various digital equipment, the efficiency of our staff and our stores' business capabilities have been comprehensively improved, thereby releasing more manpower to provide in-store communication services, membership services and fresh food services, so that the customer's in-store experience can be further optimized. At the same time, the digital capabilities of our stores also empowered our online goods and picking capabilities, improving the customer's in-store experience and online and offline shopping experience.

Customer Service Initiatives

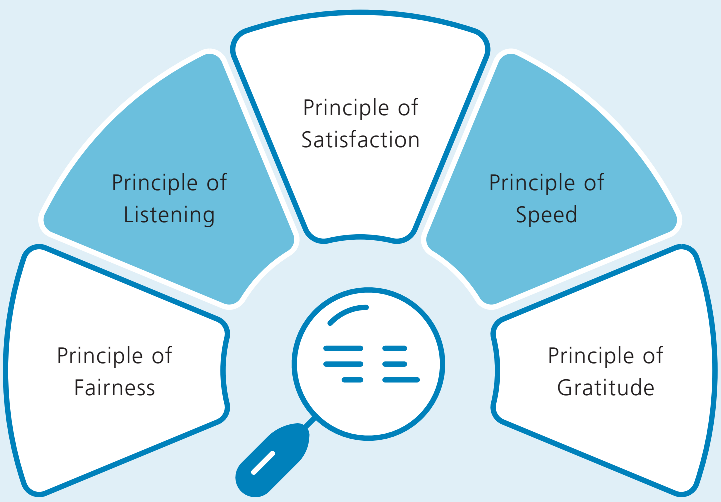
25 initiatives for convenience	Five commitments on no-worry purchase	Arrangement of Product Selection Officer	Return without reason within Seven days
• Home appliances and grocery area: Provide size and capacity information, with porcelain area equipped with packaging materials, etc. • Fresh grocery area: handwashing liquid provided • Outside the cash register zone: free storage, customer rest area, ice, etc. • Service center: membership processing, free broadcast for finding people, "sewing kits", reading glasses and other personalized services	• Bailian shopping, authenticity guarantee • Bailian after-sales, worry-free warranty • Bailian to home, fresh and fast • Bailian membership, rights and benefits across Lianhua • Bailian classic, ingenuity inheritance	• Product selection officers installed to help customers in the store area A, fresh vegetables and fruits area, so as to meet the customer's shopping needs and service needs	• A sign of "Return without reason within Seven days" posted in the store to remind customers of their rights and increase the credibility of our stores

In addition, the Group continues to provide on-site consultation and telephone consultation services in its stores, aiming to solve the problems raised by customers on the spot, let them return home happily. We also irregularly organize customer seminars, establish a "Good Product Group" managed by dedicated personnel, aiming to strengthen communication with our customers and improve our service quality through online/offline channels. "Good Product Group" releases greetings, promotions, publicity and other information every day, so that customers can receive the promotions of each store without going out. If the customer has any questions about the purchase of goods, special personnel of the store will answer them in a timely manner in the "Good Product Group".

Customer complaints and handling

The Group attaches great importance to the handling of customer complaints. In 2021, the Group formulated the *Methods for Handling Customer Complaints of Lianhua Supermarket Holdings Co., Ltd.* to clarify the principles of customer complaint handling, designate departments of responsibilities, and ensure that customer complaints are properly handled.

Principles for Handling Customer Complaints



Types and handling of consumer complaints

Type of complaint	How to handle it
Complaints for Stores	• Our stores will take care of it until the customer is satisfied. • If the store cannot properly handle the complaint, it will be reported to the company's superior management department. After the superior management department negotiates with the customer to reach a mutually agreeable solution, the customer's complaint is closed. • If the customer complaint involves the quality of the product or food safety, the safety and quality department will meet with the supplier and jointly offer a treatment plan in conjunction with the purchasing department.
Complaints for Headquarters	• The Safety and Quality Department will register the complaint in a timely manner and directly transfer it to the operation center/segment/member enterprises, who will finally feedback the processing results to the Safety and Quality Department.

Protect the privacy of customer information

The Group attaches great importance to the privacy and personal information protection of its consumers. With the continuous advancement of digital transformation, the Group continues to strengthen its personal information protection system and strives to protect consumers' personal information in a proper manner.

The Group collects, uses and preserves consumer information through the Privacy Policy and the Articles, adopts encryption technologies such as transmission layer security protocols to ensure the security of user data, adopts strict data access control and multiple identity authentication technologies to protect personal information from illegal use, and uses code security automatic inspection and data access log analysis technology to ensure personal information security. At the same time, in the process of carrying out the home delivery business, the Group adopts a unique "smile face sheet" in the delivery order to avoid the exposure of sensitive user data in the delivery process.

In addition, the Group strengthens employees' awareness of personal information protection by conducting security and privacy protection training, and strengthens data security training for logistics employees in the home delivery business to raise the awareness of logistics employees of protecting users' private data. In 2021, there were no confirmed complaints of infringement of customer privacy and leakage of customer information.

2.3 Compliance Operation

Risk Management

The Group has incorporated the construction of the risk control system into the special work of the Company's strategic planning to further enhance the level of risk prevention and control and ensure the implementation of all risk control work. According to the Notice on Preventing and Solving Major Risks in the Economic Field of Supervised Enterprises in 2021 (Shanghai SASAC Evaluation (2021) No. 41) (《關於做好2021年監管企業防範化解經濟領域重大風險工作的通知》(滬國資委評價(2021)41號)) and the Notice on the Work Plan for Preventing and Solving Major Risks in the Economic Field of Bailian Group Co., Ltd. in 2021 (Bailian Group Audit (2021) No. 66) (《百聯集團有限公司2021年防範化解經濟領域重大風險工作方案》的通知(百聯集團審計(2021)66號)), taking into account the actual situation of Lianhua Supermarket, the Group has formulated the Work Plan for Preventing and Solving Major Risks in the Economic Field in 2021 (《2021年防範化解經濟領域重大風險的工作方案》), which includes:

Continuously raise the political stance and fully understand the importance and urgency of preventing and resolving major risks in the economic field；

Further strengthen the mechanism of risk prevention and control responsibility, and improve the performance efficiency of the subjects responsible for risks；

Establish risk identification criteria and quantitative risk assessment standards, and explore unified risk management norms；

Improve the cooperation mechanism to enhance the connectivity and effectiveness of risk prevention and resolution；

Precisely identify the changes and strengthen the investigation and response to the major risks in the economic field；

Improve the risk prevention and control accountability mechanism to ensure that risk control liability is implemented.

In addition, in respect of internal control, the Group further strengthened and improved its internal supervisory functions in accordance with the relevant requirements of the *Internal Control Manual of Lianhua Supermarket Holdings Co., Ltd.* and the fact of the Company, with the internal audit department as the implementation department to conduct regular and continuous daily supervision and inspection on the implementation of the internal control system, and at the same time to reinforce targeted and specialized supervision on important aspects of internal control. In 2021, the Group continued to improve its internal control system by revising the management measures for equity investment programs, the management measures for fixed asset investment projects and the management measures for internal audits, etc. to improve the internal control system and optimize the business and management processes to ensure the Group’s continuous standardized operation.

Anti-corruption

To guarantee the sustainable operation, the Group stands firmly to compliant operation. The Company's anti-corruption management was enhanced through the Accountability Mechanism of Clean and Honest Party Construction and Responsibility of Discipline Supervision of Lianhua Supermarket Holdings, Co., Ltd. (《聯華股份落實黨風廉政建設責任制紀委監督責任清單》) and the Regulations on Management's Performance Wage and Business Expenses by Lianhua Supermarket Holdings, Co., Ltd. (《聯華股份關於規範各級領導人員履職待遇與業務支出的管理辦法》). The Group signed the Responsibility Agreement on Clean and Honest Party Construction (《黨風廉政責任書》), the Letter of Commitment of Party Members (《黨員崗位承諾書》) with Party members, and the Letter of Undertaking on Clean and Honest Practices (《廉潔從業承諾書》) with personnel of key positions including procurement and operation to improve employees' anticorruption awareness.

In 2021, the Group launched the 2021 training on the Listing Rules for the Board of Directors, Supervisory Committee and senior management, incorporating anti-corruption into the training content of the Corporate Governance Code, emphasizing the Group's compliance with business standards and anti-corruption requirements.

The Group stresses feedback and whistle-blowing through various channels, provides clear whistleblowing channels such as emails, telephones, and mailboxes, highly concerns about the suspicious internal corruption violations reported by employees. It checks the reflected problems and clues one by one, and deals with them in accordance with the relevant provisions of the Disciplinary Regulations of the Chinese Communist Party. At the same time, the Group strives to protect the safety of informers and security of reported information, strictly keeps the informer's name, contact information, and reported matters confidential and prohibits the disclosure of such information to the person being reported; and disciplinary actions would be taken against those who violate the requirements, and criminal liabilities would be investigated in accordance with the law if the violation constitutes a crime. In 2021, the Group has not experienced any corruption lawsuits filed against the Company or its employees that have been concluded.

3 Being People-oriented to Build A Happy Home with Employees

3.1 Protection of Rights and Benefits of Staff

Staff Employment

The Group treats every employee equally and protects the legal rights of every employee, strictly abide by Labor Law of the People's Republic of China, Law of the People's Republic of China on Employment Contracts, Special Rules on the Labor Protection of Female Employees, Social Insurance Law of the People's Republic of China, Regulation on Work-Related Injury Insurance of the People's Republic of China, Individual income tax law of the People's Republic of China and other laws and `regulations, Oppose racial, gender and ethnic discrimination and provide equal employment opportunities.

The employment and rights protection system established by the Group covers various aspects such as recruitment and dismissal, working hours and vacation, remuneration and benefits. For employment, we adhere to the recruitment principles of equal competition and merit-based hiring. At the same time, the Group strictly prohibits child labor and forced labor, and stringently verifies the age of candidates for employment, and absolutely prohibits employment of those found to be under 16 years old. If the problem of forced labor is found, the employees can complain by mail, complaint telephone and other ways, and the Group staff will carry out investigation to protect the rights and interests of the employees. Lianhua signs employment contracts with employees according to the relevant laws and regulations, and pays five social insurances and the housing provident fund for its employees. In 2021, Lianhua signed employment contracts with all the employees and paid social insurance for all of them.

Overview of Staff Employment and Rights and Interests System of Lianhua Supermarket

Employment, Dismissal and Promotion	Working Hours and Vacation	Salary and Welfare
• **Employment principles:** openness, equality, competitiveness, versatility, suitability and abstention • **Dismissal:** terminating labor contracts through negotiation under the principle of "compliance with laws and regulations, and fairness and reasonability"	• **Working hours:** the staff following standard working hours shall work no more than 40 hours per week; staff following comprehensive working hours shall work for no more than standard working hours per month or quarter • **Overtime:** 3 times of salary shall be paid to those who work on statutory festivals and holidays; those who work overtime on ordinary days shall have priority in taking leaves, otherwise, 1.5 to 2 times of salary shall be paid • **Vacations:** annual leave with pay, marital leave, bereavement leave, parental leave and sick leave shall follow national regulations. Staff who have made blood donation voluntarily shall be given 10-day leave with pay (including weekend)	• **Salary:** salary shall be adjusted regularly based on the minimum salary and guideline of salary increase of various localities • **Incentive:** CNY (Chinese New Year) assessment incentive program, Mid–Autumn Day and National Day incentive program, store partnership incentive program • **Medical health:** medical expense reimbursement system with mutual funds for outpatient and emergency treatment, mutual assistance insurance for employees, annual physical examination • **Welfare and allowance:** mutual aid insurance for trade union employees, subsidy for meals, transportation, working in high temperature and the birthday gift

Staff Communication and Care

A harmonious relationship between employers and employees requires smooth communication channels and sincere care. The Group has established and continues to improve its trade union mechanism to ensure that the legitimate rights and interests of employees are effectively protected. The Group has improved its trade union network to facilitate communication between employees and the Group, and has established frontline trade unions at each of its outlets in 2021. In addition, the Group has established diversified democratic staff communication platforms such as exchange meetings and face-to-face communication for young staff and management trainees to strengthen communication between staff and the Group and establish a harmonious workplace atmosphere.

In terms of employee diversity, the Group pays attention to gender diversity and supports the inclusion of the disabled and ethnic minorities in the Group. The Group has strictly complied with the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Rights and Interests of Women and other laws and regulations, while also clearly stipulated various rights entitled to female employees in the Special Contract for Female Employee (《女職工專項合同》), including organizing interaction activities between female employees irregularly, offering exclusive holidays and gifts for female employees, etc., in order to fully protect their rights.

In terms of employee care, the Group has formulated a series of welfare policies, such as providing medical expenses reimbursement to employees. In addition, the Group is concerned about the needs of employees and seeks to understand their difficulties. To promote targeted assistance to employees in difficulties, the Group has formulated Administrative Measures for Helping Employees in Difficulties and established the tiered assistance system of the trade union to identify employees with difficulties of varying degrees.

Identification and Categorization of Help Situations

Help	Employees' Difficulties
Medical help	• Employees suffering from the 24 major diseases stipulated by the Shanghai Federation of Trade Unions • Employees suffering from high hospitalization costs and no financial resources for spouse and minor children • Employees recovering at home or hospitalized for more than 5 days due to work-related injuries, accidents, chronic diseases, four surgeries for female employees and other diseases • Employees' immediate family members suffering from greater medical expenses due to hospitalization
Death help	• Employee passed away due to illness • Death of an immediate family member dependent on the employee
Disaster relief	• Accident or injury to employee's family
Paired assistance	• Leaders and employees in difficulty paired with assistance • Conducting visits and sending condolences around major festivals
Education support	• The per capita monthly income of the employee's family is lower than the minimum monthly wage standard for Shanghai workers, and his/her children are admitted to domestic universities
Other condolences	• Employees sent by the unit to donate blood • Daily support for employees in difficulty

During the Spring Festival of 2021, Lianhua initiated the "Love One Day Donation" activity with the theme of "Everyone Dedicates Love to Create a Better Life" among the management and staff, calling on all the management and staff to donate one day's salary to raise money for the employees and their families in difficulties. The activity not only promotes the good tradition of mutual help and love, but also provides a funding source of material resources for trade unions at all levels to carry out activities to provide help and warmth.

Work-Life Balance

Each business branch and regional branch organizes various activities for employees to enrich their cultural life, such as setting up hobby clubs and cultural and entertainment parties. The diversified activities enhance communication and exchange among employees, release work pressure, and enhance their sense of happiness at work.

In 2021, with the opportunity of Lianhua's 30th anniversary cultural festival, the Group organized the "2nd Lianhua Voice" talent competition, with a total of 16 teams participating in the event, mobilizing the enthusiasm and enthusiasm of employees, and inspiring the determination and confidence of Lianhua people to devote themselves to the innovation and changes of the enterprise with their singing voices.

3.2 Employee Health and Workplace Safety

The Group is committed to providing a safe and healthy working environment for its employees. It strictly abides by the Occupational Disease Prevention and Control Law of the People's Republic of China, the Safety Production Law of the People's Republic of China and other laws and regulations, and has formulated a series of systems such as the Measures for Management of Employees' Occupational Health, the Measures for Management of Labor Protection of Female Employees, and the Employees' Protective Equipment Management System to provide guidelines for creating a safe and healthy workplace. With a view to reducing safety risks and raising employees' awareness of occupational health, the Group arranges regular medical check-ups for employees, conducts safety hazard inspections in the office environment and provides occupational safety education and training for employees.

The Group pays great attention to the safety management of logistic staffs and warehousing. In order to enhance the safety awareness of the Group's logistics drivers and to prevent and reduce the occurrence of traffic accidents, the Group requires all logistics drivers to attend monthly safety education and training, and invites specialists from transport agencies to provide logistics drivers with one or two safety trainings every year. The Group explicitly prohibits dangerous driving behaviors such as driving after drunk driving and speeding, and will publicly criticizes employees and vehicles violations of the rules and regulations if occurred.

The fire safety of warehousing is also the focus of the Group. The Group provides guidelines for fire safety prevention and control through establishment of a risk management and control mechanism, formulation of a comprehensive safety emergency plan, improvement of the safety standardization system documents and safety operation procedures. The Group enhances warehousing safety management through the establishment of one file for each set of special equipment, and regularly organizes fire drills for its staff for warehouses to lay a solid foundation for elimination of potential safety hazards.

In addition, the Group has formulated relevant systems and contingency plans to protect the health of employees in the course of regular epidemic prevention and control. The trade union of the Group is responsible for purchasing epidemic prevention supplies such as masks, disinfectant water and goggles, and distributing them to employees in a timely manner to ensure that the health protection of employees is in place. At the same time, the stores conduct daily checks on the health codes of employees and record their temperatures, and implement separate dining for employees, and require employees to properly clean and disinfect the environment and facilities inside and outside the stores to protect the health and safety of employees and customers. In 2021, there were no deaths of employees of the Group due to work-related injuries.

3.3 Talent Development and Vocational Training

Staff Training

Talent is the key competitiveness of the enterprise. The Group provides diversified learning and improvement opportunities for employees, enabling each employee to better realize his/her value at work. In order to enhance the professional skills and management capabilities of our employees, the Group organizes customized training programs and large lecture hall activities for middle and senior management, store partners, store employees, new employees, interns and other employees at all levels.

The Group has been recruiting management trainees since 2018 and held "Young Eagles Class" training activities for management trainees every year, and a total of 24 management trainees have been recruited in 2021. The Group adopts the innovative "1236" management trainee cultivation system to cultivate them, formulating a cultivation plan of 1-month classroom theory + 2-month store rotation + 3-month terminal rotation + 6-month departmental rotation for them, laying a solid foundation for their subsequent rotation to all departments. Since 2018, a total of 72 people have participated in the management training program, of which 41 have been retained, and the retention rate is 60% through the tracking statistics of their career.

Training Programs for Different Types of Employees

Type of employee	Training Program
Middle and senior management personnel	• Annual training plan for middle and senior management personnel • Eagle Success Program
Store employees	• Eagle Talent Program (reserve)
Store partners	• Warhawk Empowerment Program
New employees	• Young Eagle Growth Program • New Staffs "Rainbow" Program – New employee orientation
Interns	• Hatching Program
Internal lecturers	• Guide Star Program

Type of Training and Training Program

Type of training	Training Program
Professional technologies	• New Retail Program • Safety Guard-Food Safety, Production Safety Training Program
Management capacities	• Brand Training Camp • Red (Patriotic) Education

The Group also actively utilized digitalization to empower its business operations and expand its brand influence, and set up the "Bailian i Learning" online platform to broaden the channels for staff training activities. This year, the Group launched a special training on digital transformation to facilitate employees to capture the new dynamics of the industry and further enhance their competitiveness. In 2021, the Group's Hypermarket Operation Centre launched its first special training course on customer rights and interests protection on April 13 to promote a safe and sustainable consumer environment and protect the Group's safe operation. In 2021, the "Supermarket Operation Skills Improvement Training" project developed by the Group received government grants in a total amount of RMB466,300.

Staff Career Development

The Group is committed to achieving mutual benefit and common development with employees. Lianhua continuously optimizes the talent pool and encourages employees to develop their personal expertise, providing a platform for them to enhance their skills and capabilities. Meanwhile, the Group has established a comprehensive promotion process and a "core management – headquarters – frontline staff" motivation system to motivate employees to enhance their professionalism and support their promotion and development.

Promotion Process	Promotion channels
• Announcement of information, resume submission, interview, recruitment, keeping confidential of information, evaluation for key internal employment, announcement and publication of results.	• Recommendation by seniors, appointment and removal by party committee's discussion and inspection and competition for posts, promotion of staff with outstanding performance through an annual evaluation and spontaneous promotion proposal by seniors.

The Group continuously optimizes the job sequence and development channels, promotes the management trainee program to cultivate reserve teams. The Group has established the supermarket partner program to cultivate solid basic skills and excellent talents for its employees, outlets and store workers through temporary position, job rotation, innovative project incubation, etc. In 2021, the Group focused on the examination and cultivation of young managers and core positions reserve talents through temporary position training. This year, the Group had 15 persons trained through temporary position, with an average age of 40 years old, 80% with bachelor's degree or above, and 33.3% being female.

4 Safeguarding the Beautiful Ecological Environment by Green Operation

4.1 Environmental Management

The Group upholds the concept of green development, implements green management practices into its daily operation activities, through the construction of environmental management systems such as Operation Requirements for Energy Saving and Consumption Reduction, Operation Standards Manual and Energy Conservation and Emission Reduction Implementation Plan to regulate green management processes with a view to reduce energy and natural resource consumption, reduce waste, and use environmentally friendly products and services as much as possible.

In 2021, the Group actively followed the national "30-60" dual carbon target and set relevant environmental management goals in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, including

- In terms of energy use and greenhouse gas emission reduction, the Company strives to reduce unnecessary electricity consumption and vehicle use with the goal of energy conservation and emission reduction;

- In terms of hazardous and non-hazardous waste reduction, the Company aims to control waste generation, improve the utilization rate of cartons and other non-hazardous waste, and ensure that waste is properly handled;

- In terms of water consumption, the Company aims to decrease water consumption per business unit, reduce water consumption and improve water utilization.

Later, based on the existing data, the Group will further review its environmental performance in terms of energy use, greenhouse gas emissions, hazardous and non-hazardous waste, water resources, etc., and proceed to set more specific environmental targets, which will be disclosed in the next year's ESG report.

4.2 Identification and Management of Climate Change Risks

The consumption of energy and resources is strongly correlated with climate change. Global climate change not only causes various extreme weathers, but also seriously affects various economic and social activities. The Group proactively responds to the concerns of the government, investors and other stakeholders in addressing climate change, identifies risks and opportunities related to climate changes with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board, and continuously improves management based on the results to minimize the carbon footprint generated by operating activities.

In order to better respond to the potential risks and opportunities related to climate changes, the Group identifies climate change-related risks and opportunities related to its own operations through policy research and benchmarking with peers based on expert opinions, and evaluates the impact of the risks and opportunities on its own finance.

Approach for Analysis of Climate-related Risks and Opportunities

Identification

- Climate-related risks and opportunities were identified according to the unified climate change-related information disclosure framework developed by TCFD.

Assessment

- Assessment was conducted on climate-related risks and opportunities based on the Company's business and strategy as well as expert opinion.

Analysis

- Construction of a climate-related risk and opportunity matrix based on the assessment results, and identification of the materiality of the risks and opportunities based on the probability and degree of impact of risks and opportunities.

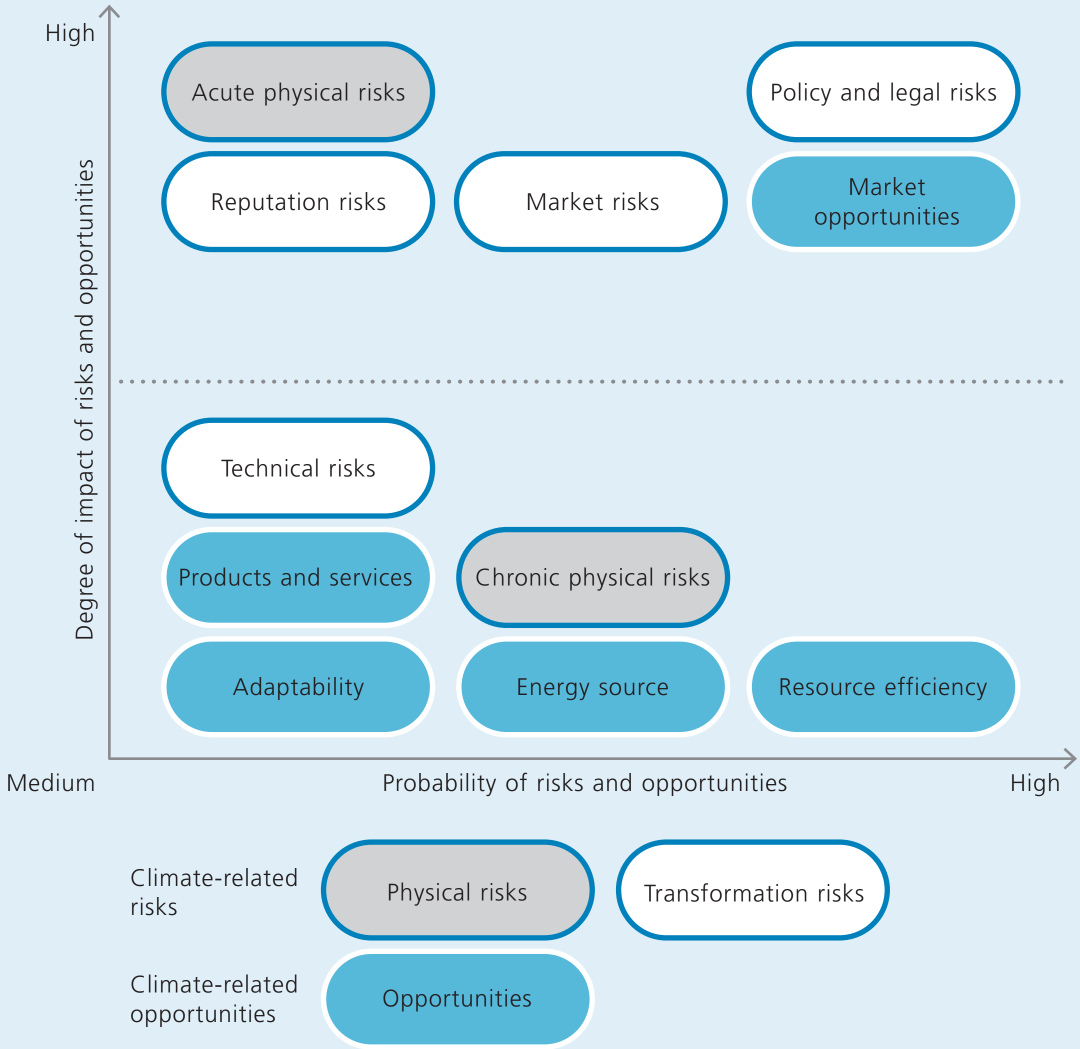
Analysis of the Financial Impact of Climate-related Risks

Identification results of main climate change-related risks and opportunities				Potential financial impact	Countermeasures
Risks	High	Policy and legal risks	The Company and its product suppliers may face risks of being held accountable, being taken regulatory measures, being given disciplinary sanctions, property loss or loss of business reputation due to non-compliance with climate-related policies or laws, or the risk of rising operating costs due to the opening of the carbon market and the rising clean energy pricing.	Operating income↓ Operating costs↑ Credit risk↑	• Improve environmental management and climate change related management system. • Establish emergency response plans for extreme weather or natural disasters. • Replace energy-consuming materials in the Group' stores with low energy-consuming materials.
	Medium	Market risks	The introduction of relevant policies such as carbon neutrality has given rise to the market demand for climate-friendly products or services and thus the businesses of the Company and its suppliers will face market risks.	Operating income↓ Credit risk↑	
		Acute physical risk	Severe climate changes such as typhoons and floods will cause extreme weather or natural disasters, which may affect the normal operation of the Company's stores, thereby affecting the Company's business.	Operating income↓ Operating costs↑ Value of fixed assets↓	

Identification results of main climate change-related risks and opportunities				Potential financial impact	Countermeasures
Risks (Continued)	Medium (Continued)	Chronic physical risks	Long-term natural pattern changes such as sea level rise and sustained high temperatures may affect the Company's normal operations.	Operating costs↑ Value of fixed assets↓	
		Reputation risks	As the public is paying more and more attention to green operations, the Company's failure to meet the expectations of stakeholders may bring reputational risks to the Company's operations.	Operating income↓ Operating costs↑	
	Low	Technical risks	In the process of low-carbon technology transformation, the development and application of energy-saving and environment-friendly technologies such as renewable energy and new energy may have a certain impact on the Company's operations and businesses.	Value of fixed assets↓ Cost of investment in research and development↑	
Opportunities	High	Market opportunities	The introduction of relevant policies on carbon neutrality and climate change has a guiding effect on the green product market, and focusing on the business of developing climate-friendly products is conducive to opening up new growth space for the Company.	Operating income↑ Credit risk↓	• The offices use LED energy-saving lamps. • The stores use low energy consumption refrigerators, etc.

Identification results of main climate change-related risks and opportunities				Potential financial impact	Countermeasures
Opportunities (Continued)	Medium	Resource efficiency	Energy conservation and emission reduction are promoted by improving resource and energy use efficiency and will help reduce operating costs.	Operating costs↓	• Practice green development concept, focus on green, low-carbon products procurement and sales. • Publish or disclose the energy-saving measures and green products involved in store operations in a timely manner to expand the impact.
		Energy source	The use of clean energy and low-carbon energy to replace traditional high carbon energy will help reduce the Company's energy expenditure in the future.	Operating costs↓	
	Low	Adaptability	Business research and industry exchanges related to climate changes will help improve the Company's ability to respond to climate risks and seize climate opportunities, and enhance the brand image of fulfilling social responsibilities.	Operating income↑ Operating costs↓	
		Products and services	The Company purchases green products and advocates sustainable consumption, which is conducive to opening up new growth space for the Company.	Operating income↑ Credit risk↓	

Matrix of Climate-related Risks and Opportunities



4.3 Use of Resource

In accordance with the national regulations and the Company's management requirements, the Group achieved improvement in green operation, green logistics and warehousing, and green office by reasonably controlling the cost of utilities and packaging costs in combination with the actual situation of the stores.

In respect of resources consumption, the Group has formulated environmental protection policies and guidelines, set corresponding environmental protection targets and adjusted the annual budget for stores' own energy consumption. In the daily operation, storage and logistics processes, the Group requires stores to record relevant environmental data and review the effectiveness of environmental protection in a timely manner. In addition, the Group is required to regularly summarize and monitor the environmental performance of each store to calculate the annual energy consumption for its own use.

With regard to the water resources consumption, the Group mainly derives water from the tap water supplied by the municipal network. Therefore, the Group does not have problem in sourcing water resources. The Group promotes water conservation awareness among employees through publicity on water conservation, regularly inspects and maintains water consuming equipment, and repairs and updates damaged equipment in a timely manner, to improve water efficiency in operations. In addition, the Group has incorporated water consumption, consumables consumption and other indicators in the store assessment plan through the supermarket partner program, hence promoting the independent conservation of water and consumables in stores.

In terms of plastic consumption, since the implementation of the "Plastic Restriction Order", the Group's stores have strictly implemented the national standard, posted a warm reminder of "pick up as needed" at the area of stores where the roll-up bags are required, encouraged customers to use the bags reasonably, advocated customers to "take the cloth bag, bring up the vegetable basket", reduce the use of disposable plastic, and driven consumers to practice green living through practical actions. In addition, the Group promoted the rational recycling of plastic products and the reuse of environmentally friendly materials by using its official account in the hope of driving more consumers to participate in green and low-carbon life.

Resource Management and Conservation Initiatives of the Group

	Green stores	Green logistics and warehousing	Green office
Management and Promotion	• Through various meetings and trainings in the stores, we provide training and education to the staff in the stores, enabling them to have a deep understanding and knowledge in their mind and to remember the principle of waste separation and apply it in their actual work.	• Formulated the "Lianhua Logistics Energy Management System" to clarify the contents of energy management. • The inspection department is required to complete the "Cold Storage Daily Inspection Form", open and close the cold storage door and slide up the door timely and defrost the evaporator regularly.	• Control the performance cost involved, find out the entry point for cost saving through analysis of cost data, and refine reasonable control work. • The ordering and use of store supplies should be in strict accordance with the relevant system. The head of the department in charge of the actual use is responsible for applying and receiving store supplies, and the store manager and person on duty are responsible for supervising, ensuring that orders based on evidence and receipt based on sales.

	Green stores	Green logistics and warehousing	Green office
Energy saving measures	• The intelligent control system effectively controls the compressor of cold chain system and the anti-dew system of freezer to avoid frequent startup of compressor and reduce energy consumption. • Energy saving through three-phase electricity load balance adjustment. • After energy-saving transformation of refrigeration system, real-time monitoring of energy data was achieved through the contract energy management mode.	• Improve daily lighting in warehouse and office building, with 4,367 LED tubes replaced. • The street lights are changed from high voltage halogen lamps to LED lamps, the basement uses radar auto-sensing LED lamps, the cold storage uses special LED lamps for cold storage, and some of the hallways are converted to sound-controlled lamps.	• A sticker at the light switch reminding to turn off the light calls for employees to save electricity. • The Customer Service Department was set up for daily operations to supervise energy consumption on a daily basis, strengthen employees' awareness of electricity consumption and energy saving, and implement the Lianhua Logistics Energy Management System to reduce the energy consumption of the enterprise.

	Green stores	Green logistics and warehousing	Green office
Water saving measures	• Promote the concept of water conservation in stores and continuously improve water efficiency. • Incorporate indicators such as water cost and consumables cost into store assessment to promote voluntary conservation of water and consumables.	• Promote the concept of water conservation and facilitate water conservation in logistics and warehousing.	• Promote the concept of water conservation, maintain water-using equipment, and improve the water efficiency in operation.
Plastic reduction measures	• It is strictly prohibited to use plastic shopping bags at cashiers of stores. • Shift from providing plastic bag service to providing non-woven shopping bag or biodegradable shopping bag service for a fee. • Tips for collecting on demand at the sales area with roll-up bags, with store staff supervising customers' reasonable use behavior.	• The Group signed a "Waste Packaging Acquisition Contract" with a third party for the reasonable disposal of waste packaging. • Promoting cardboard recycling. Stores send cardboard packaging to designated recycling sites after simple sorting and then packaged and processed by waste packaging recycling companies to improve the resource utilization rate of cardboard boxes.	• Advocating employees to use reusable packaging and reduce the use of plastic products.

4.4 Waste Management

Lianhua Supermarket is not engaged in industrial production. Waste generated during the operation process is mainly non-hazardous waste such as packaging materials, paper used for printing of shopping receipts and expired fresh produce, and other wastes including LED lights, air cabinets and conductive cabinets (including electronic thermometers, etc.), excluding production waste. The emissions generated during office operations mainly include: domestic waste water generated by the offices, the domestic waste water generated during the logistics operation process and oily sewage generated by vehicle maintenance. Regarding the treatment of emissions, the Group has set up a secondary sewage treatment tank to treat such oily sewage generated by vehicle maintenance of logistics and warehousing segment before discharge.

In terms of waste management, the Group classifies its main waste into wet waste, dry waste and recyclable waste. The recyclable waste is mainly the packaging cartons of the products sold, which are packaged and collected by a designated waste packaging company. The sorting of wet and dry garbage is done while working in the daily operation. In the fresh produce area, when loading and sorting, employees sort the garbage directly into the corresponding bins according to the type of garbage to be handled, so there is no need to sort again. All the garbage produced by the store will be concentrated in the designated location “garbage room” for centralized management, and later standardized cleanup and disposal by the store and the local cooperative garbage cleaning company.

4.5 Encourage Green Consumption

As a large-scale retail chain enterprise, the Group promotes the concept of green consumption through store activities and the setting of organic green products counters, and actively carries out “Earth Hour” and green and healthy consumption promotion activities to drive consumers and the general public to participate in green and healthy consumption actions.

The Group participated in the “Earth Hour Activity” on 27 March 2021 under the theme of “Living with Nature, Speaking for the Earth” to promote the concept of green and low-carbon living through practical actions. 29 Century Lianhua stores in Shanghai switched off non-essential light sources and non-major signboard light sources inside and outside the stores without affecting customers’ shopping and ensuring safety, and invited more consumers and employees to join the one-hour lights-off activity through the online community.

The Group proactively took measures to guide consumers to green consumption. In 2021, Lianhua Supermarket presented seasonal products to consumers in its stores according to the change of seasons. The store introduced the concept of “health” in the sale of “Hainan coconuts”, realized the direct delivery of Hainan green coconuts from the base, and led consumers to pay attention to green food with high quality products. In addition, Lianhua Supermarket developed and promoted the non-additive Hainan tree ripened mangoes. This variety has more than 30 days to grow compared to other ripened mangoes, which can absorb more nutrients and have a more intense aroma and flavor. Lianhua Supermarket is practicing the concept of “originality” and “healthy living” in the field of food procurement to guide consumers to have a healthy diet.

In June 2021, the Group, together with personal cleanser brand Safeguard, introduced the “Hand-washing Health Class” to Shanghai schools, and educated children about vivid and interesting hand-washing health knowledge to raise their awareness of health protection, so that they can embrace an exciting and energetic school life with more health vigor. The Group aims to promote health education and good hygiene habits to children through fun and attractive interactive activities, so that they can enjoy their school days safely and healthily.

5 Ensure People's Livelihood and Create a Better Future with the Community

5.1 Ensure People's Livelihood Supply

It is the Group's important responsibility to ensure the supply of commodities for people's livelihood. Whether in epidemic prevention and control or flood relief, the Group is always at the front line of safeguarding the supply of people's livelihood and helping in emergency relief. In 2021, the epidemic prevention and control entered a normalized stage, and the repeated news of epidemics from time to time has been triggering the hearts and minds of people everywhere. As a livelihood product operator, the Group actively participated in the fight against the epidemic. In addition, the Group proactively provided prompt assistance to the people suffering from the typhoon in Zhejiang Province and the flood in Henan Province in 2021, and led its internal staff to overcome all difficulties to ensure the people' livelihood by donating emergency supplies and guarantee the people's livelihood on the front line.

Guarantee Commodity Supply for People's Livelihood by Regional Companies in 2021

Stores in Shanghai	• During the epidemic, the Operation Center-Supermarket distributed 12,923 pieces of emergency supplies and RMB2.71 million to 29 authorities, including Huangpu Emergency Management Bureau (黃浦應急局) and Huangpu Health Commission (黃浦衛健委); 28,280 pieces of emergency supplies and RMB1.5758 million were distributed to East Hospital of Shanghai Sixth People's Hospital.
Lianhua Huashang	• During the emergency supply mission in December for Shangyu area in Shaoxing, the company's party and government team members led the whole company to work together to complete the procurement, packaging and transportation of more than 300,000 pieces of materials for people' livelihoods in 8 days and nights, contributing Lianhua's strength to win the "battle" of the epidemic in the province.

Lianhua Anhui Company	• The company joined the Hefei Vegetable Basket Project in 2021 to ensure the supply of daily necessities in the surrounding 1-kilometer business circle; and it was also the first to introduce RMB1.0 vegetable (一元菜) and RMB2.0 vegetable (兩元菜) basket projects to provide quality and inexpensive services to the surrounding people. • The company has participated in the Spring Festival, Dragon Boat Festival, May Day, Mid-Autumn Festival, National Day, New Year's Day and other major holidays in 2021, offering a total of 26 kinds of products including vegetables, meat, fish, eggs and bean products at 15% lower than the average market price surrounding people. • The company actively cooperates with the epidemic prevention and control to ensure the supply of goods: the supply of goods is centralized and arranged for distribution, goods are delivered to stores with all the certificates, vehicles are disinfected daily, and there is sufficient supply of single items for sale in the market; the single items for people's livelihood are purchased daily by a unified and professional team, and the distribution of single items to stores is organized, and some of the single items for people's livelihood are sold at low prices at concessions; the e-commerce business is vigorously promoted to meet the consumption needs of the surrounding citizens through the online platform, and the supply is guaranteed in quality and quantity and delivered quickly.
Lianhua Jiangsu Company	• During the epidemic period, the company took the initiative to pay attention to the inventory situation of stores, unified the stock of goods in short supply, goods that could not be delivered due to the epidemic and goods that could not be delivered due to suppliers, and then unified the distribution arrangements to ensure the supply of goods for people's livelihood. • Under the shortage of some commodities in Nanjing and Yangzhou, the company timely dispatched the popular commodities to relieve the urgent need of people's livelihood. • In the case of transportation restrictions caused by the epidemic, the company's logistics department proactively resolved the difficult problem of goods delivery in high-risk areas, and prepared the required commodities and supplies for delivery to stores at the fastest speed; at the same time, it actively communicated with the commerce bureau, the regional emergency response department and the regional epidemic prevention working group, and coordinated with them to apply for green passes to provide fast nucleic acid testing green channels for store delivery vehicles and personnel, so as to jointly resolve the difficult problem of goods and epidemic prevention supplies delivery to stores.

Century Lianhua	• On July 23, Century Lianhua Luban store received the task of distributing RMB3 million of flood relief materials for Shanghai Charitable Foundation United Way Fund (上海市慈善基金會) to Henan Province, the party committee of Lianhua Operation Center (Shanghai) set up a relief materials preparation team, and the headquarters opened a green channel for emergency relief materials procurement, and all departments and the Operation Center (Shanghai) urgently redeployed more than 150 tonnes of materials from 130 stores within one day. After working overnight for 16 hours, the company completed the loading and distributing of relief supplies. • Donated 40 boxes of White Rabbit Milk Candy to Shanghai Charitable Foundation United Way Fund (上海市慈善基金會) to provide assistance to the disaster area in Henan Province.

5.2 Build a Harmonious Community Together

The Group pays attention to its relationship with the communities where it operates, actively works together with the communities to strengthen the good interaction between its stores and the communities by promoting the sales of local cultural products, participating in or organizing community public welfare activities, etc., so as to create a harmonious community with residents and consumers.

Sales of Local Cultural Products

Brand and Scale	Actions
Total annual sales of Chongming ecological poultries, Chongming vegetables, Qingpu Liantang water bamboo, Guzong white goats, Laodafang (老大房) and others exceeded RMB10 million.	It was achieved through offline promotions including video-based introduction and promotion in stores, poster promotion and setting up a special area for display, as well as online live broadcast promotion.

The Group has carried out the "Serving cool refreshments to staff in summer" activity for four consecutive years since 2018. In addition, some of our suitable stores have also set up a "Love Stations for Outdoor Workers" for sanitation workers, striving to provide them with free services such as resting place, hot water, microwave ovens, etc., and thereby solve their difficulties in rest, drinking water and other objective problems. In 2021, the "Serving cool refreshments to staff in summer" activity of Century Lianhua was selected as one of the "Top Ten Social Construction Cases".

Community Charity Activities in 2021

Types of Public Services	Progress in 2021
Improvement in residential community rights	• Staff from our store operation center visited the "pairing" community to carry out a theme activity by taking the opportunity of promoting "Learning from Lei Feng", providing residents with shopping convenience and consumer rights protection, as well as conducting community promotion and home promotion.
Elderly resident services	• On the Double Ninth Festival in October, staff from several of our stores in Shanghai carried out activities to help old people living alone clean up their home, and offer condolences to impoverished families and elderly people living alone in the community. • Lianhua Huashang organized party-member volunteers to visit Xingong Community with many elderly residents in Hangzhou and Hangtou Town, Jiande City to carry out volunteer service activities such as delivering products to communities, and offering free services of haircuts and watch repairs. • Lianhua's Anhui Company donated noodles and eggs to the elderly aged 60 and above on the Double Ninth Elderly-Caring Day which is on the ninth day of the ninth lunar month.
Charitable donation	• On 6 September, Lianhua Huashang entered into a strategic cooperation agreement with Hangzhou Charity Federation to create a new model of "charity + business". The signing ceremony was unveiled at the scene to establish the "Lianhua Huashang Group and Partners Charity Alliance Fund", and donated various products with total value of approximately RMB482,500 jointly with the first batch of 22 "Charity Alliance" enterprises. The Municipal Charity Federation awarded the banner of "Charity Volunteer Team of Lianhua Huashang Group under Hangzhou Charity Federation" to Lianhua Huashang.

Helping the disabled	• On 4 December, Lianhua Huashang participated in the "plan to help disabled persons with a loving heart" activity hosted by Zhejiang Disabled Person Welfare Foundation, organized by Jiu Jiu e Public Welfare (久久公益), and co-organized by Hangzhou Lianhua Huashang Group Co., Ltd., donating RMB150,000 worth of products to the Provincial Disabled Person Welfare Foundation to help disabled persons in difficulty improve their quality of life, for which it was granted the "Caring Enterprise" plaque.
Actively donating blood	• On 8 February, Lianhua Huashang organized the 13 persons from the Party Branch of Logistics Safety and Quality and the Party Branch of the Group Purchase Development Selection Project to participate in the collective blood donation, and successfully donated 3,100 ml of blood. • On 21 October, more than 10 young cadres and party members from the Chaohu Changjiang Road store of Lianhua Anhui Company, which was led by the store manager, actively participated in the voluntary blood donation activity organized by the community party branch. • On 30 June, Hangzhou Lianhua Huashang Group Co., Ltd., launched a 100-person voluntary blood donation activity named "Celebrating the Party's Centennial with Love, and Adhering to the Original Aspiration with a Passionate Heart", in which more than 130 party members and employees enrolled to participate in this blood donation activity, donating 25,400 ml of blood in aggregate. The member and deputy director of the Party Committee of Zhejiang Blood Center issued a letter of thanks and a commemorative plaque of "Hundred Blood Donations to Celebrate the Party's Centennial" to Lianhua Huashang.

5.3 Support Rural Revitalization

As a commodity operator for people's livelihood, the Group not only provides commodities and ensures the supply of quality commodities, but also cares about people in rural areas, striving to help on rural revitalization, and contributing to the realization of the goal of common prosperity.

In 2021, the Group took advantage of the scale of its outlets and the strength of its online e-commerce platform to launch the project of "Chongming Premium Products in Lianhua" with farmer bases in Chongming District, so as to support and benefit farmers, cooperated with poverty alleviation cooperatives in Xinjiang and Yunnan by carrying out poverty alleviation procurements, and also helped Linqi and other rural areas through resource delivery and technology docking.

Supporting and Benefiting Farmers Through Rural Revitalization

The "Chongming Premium Products in Lianhua" project	• The Group carried out a full range of production and marketing docking activities with Chongming District and, according to the market launch time of Chongming's fresh agricultural products such as rice, vegetables and poultry, held several important joint promotion activities of Chongming premium product brand including "Chongming New Year Products Festival". At the same time, a number of live broadcast activities were carried out, and the characteristics and quality advantages of Chongming premium products were fully displayed through various forms such as live broadcast, base broadcast, and WeChat small video recording. • The Group actively developed new sales scenarios, and carried out various forms of joint promotion, including regular product presales, and joint cultivation of online customers on the official platform of Chongming agricultural products regional public brand "Chongming Rice", together with "Bailian Daojia", "I Bailian" and other online platforms. • In April and September 2021, registered members of Lianhua were organized to visit the Chongming premium products supply bases, which further enhanced the customer recognition and brand influence of Chongming premium products. • During the period before and after the project was launched, total sales of Chongming premium products increased by more than 2 times in Lianhua, and the sales volume of various types of Chongming premium products exceeded RMB100 million throughout the year.

Procurement of agricultural products for poverty alleviation	• The Group helped poverty alleviation cooperatives in Xinjiang and Yunnan and other places to promote sales of their products, which include Shanghai Qing, base tangerine, red grape, sunshine rose, gray jujube, thin-skinned walnuts, Xinjiang walnut, Yunnan walnuts, etc. • Since 2021, the purchase volume has reached 237,000 kilograms with total sales amount of RMB3.9 million.
Paired assistance and consumption assistance conducted by Lianhua Huashang	• In 2021, Lianhua Huashang took the "31590" project as the main starting point to exert the role of state-owned enterprises, and reaped the staged results of paired assistance and consumption-based poverty alleviation, in which it purchased 65 varieties of products and sold 9,800 tonnes of agricultural products with total sales amount reaching RMB106.54 million, thereby playing a significant role in achieving common prosperity through supporting consumption assistance.

Supporting Rural Areas Through Resource Delivery

Teaming up with suppliers to launch public welfare projects	• In May 2021, The Company donated money to children in mountain areas and renovated sanitation facilities in cooperation with P&G using water-saving feature of Rejoyce wash-free hair conditioners which hit the shelves lately. At the same time, through the activities for "Lianhua 30th Anniversary and Rejoyce Water Conservation Charity Campaign", we appealed to everyone to help rural schools improve the bathroom environment by using Rejoyce wash-free hair conditioners, which enables people to save more hot water needed for cleaning during your easy hair care.

Case: Lianhua Huashang appeared in Hangzhou's first "Common Prosperity Promotion Festival (共富共美幫幫節)"

On 18 August, Lianhua Huashang appeared as the coordinator of the event in the live streaming room offering assistance. This is Hangzhou's first "Common Prosperity Promotion Festival" sponsored by the Hangzhou Paired Assistance and Regional Cooperation Bureau, and organized by the Business Daily (每日商報社) with the guidance from the Publicity Department of the Hangzhou Municipal Party Committee (Civilization Office).

The quality products from paired assistance and Shanhai collaboration areas can reach consumers' homes at the touch of a finger through the Internet. In the future, Lianhua Huashang will continue to make use of its brand advantages, supply chain advantages and market advantages of a state-owned superstore and introduce more quality-guaranteed, distinctive products from reliable sources in order to enrich the connotation of quality products of the "Promoting Common Prosperity in Mountainous and Coastal Areas (共富共美山海情)" series to push ahead with the exploration of a new model of common prosperity.

Case: The "San Ding Yi Bao (三定一包)" new model helps create a rich land for farmers

In September, the representatives of party members from the Party and Mass Work Department and the Party Branch of Fresh Produce Department of Lianhua Huashang visited Linqi Village to attend the symposium for deepening the understanding of the Party history and practices "Bringing Benefits for the Public (為民辦實事)", Lianhua Huashang reviewed the measures and achievements concerning the assistance given to Linqi Village by the Company in recent years, including resources procurement, brand building and technology output.

At the same time, the two sides conducted in-depth communication on the relevant needs and the further efforts to help the Linqi village. After the forum, Lianhua Huashang handed out money as token of condolence to the students involved in the paired education assistance, and edible oil, rice and other festive gifts to 10 families in Linqi Village.

6 Data

Environment

Performance indicator	Unit	2019	2020	2021
Emissions				
Total GHG emissions[1]	ton CO_2e	273,490.81	273,615.04	**280,482.04**
Scope 1 GHG emissions[2]	ton CO_2e	3,140.51	3,220.81	**2,882.39**
Scope 2 GHG emissions[3]	ton CO_2e	270,350.31	270,394.23	**277,599.65**
GHG emissions per unit business area[4]	kg CO_2e/m^2	149.06	152.63	**156.90**
Total quantity of hazardous wastes[5]	ton	32.43	9.24	**7.19**
Hazardous wastes output per unit business area	kg/m^2	0.04	0.01	**0.01**
Total quantity of non-hazardous wastes[5]	ton	4,030.34	5,581.96	**4,945.05**
Non-hazardous wastes output per unit business area	kg/m^2	5.58	8.33	**7.50**
Use of Resources[6]				
Total consumption of power	MWh	443,124.58	443,196.57	**455,006.80**
Power consumption per unit business area	kWh/m^2	241.52	247.22	**254.53**
Total gas consumption	m^3	126,049.00	136,194.08	**136,409.35**
Gas consumption per unit business area	m^3/m^2	0.14	0.15	**0.15**
Total water consumption	10,000 m^3	337.85	322.53	**287.73**
Water consumption per unit business area	ton/m^2	1.84	1.80	**1.61**
Total quantity of purchased packages[7]	ton	2,709.73	2,229.26	**1,819.26**

Notes:

1. Total GHG emissions include Scope 1 and Scope 2 GHG emissions. The total GHG emissions data in 2019 and 2020 have been updated retrospectively.

2. Scope 1 GHG gas emissions came from the Company's natural gas, as well as the gasoline and diesel used by its self-owned official vehicles and freight vehicles. The emission factors related to natural gas, gasoline and diesel take reference to the coefficients under the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the SEHK on 28 May 2021. Scope 1 GHG emissions data in 2019 and 2020 have been updated retrospectively.

   Scope 1 GHG emissions in 2021 decreased significantly compared to 2020, mainly due to: 1) the Group vigorously implemented energy conservation and emission reduction measures; 2) the business volume of Lianhua Logistics was adjusted, which caused a reduction in the energy consumption of gasoline and diesel; 3) our subsidiaries in many places have reduced the use of official vehicles and significantly reduced the amount of energy used (including the closure of warehouses and the reduction of official vehicles in Lianhua Jiangsu Company; several stores of Lianhua Guangxi Company that use natural gas have switched to electrical equipment, and the number of its official vehicles has decreased; and due to the pandemic, various departments reduced the number of store visits and business visits, and the delivery of products to stores through our self-owned logistics has been changed from daily delivery to next-day delivery).

3. Scope 2 GHG emissions came from the Company's purchased electricity. This indicator is calculated based on the electricity consumption data and the grid emission coefficients. The calculation formula and emission coefficients take reference to the coefficients under the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the SEHK on 28 May 2021. The emission coefficient of State Grid Corporation of China published in the above guidance is 0.6101 kg CO_2/kWh (Data source: Ministry of Ecology and Environment of the People's Republic of China (2019)). Scope 2 GHG emissions data in 2019 and 2020 have been updated retrospectively.

4. Data in relation to GHG emissions per unit business area in 2019 and 2020 have been updated retrospectively.

5. Data in relation to hazardous and non-hazardous wastes in 2019, 2020 and 2021 exclude Lianhua Supermarket Development, Lianhua Quik, Lianhua Huashang and Lianhua Henan Company.

6. The resource usage data in 2019 has been updated retrospectively, and all data on this topic have been updated.

7. Packages include trays, cling film and roll bags. The total purchases of packages in 2019, 2020 and 2021 exclude Lianhua Quik.

Employment and Labor Practice

Performance indicator	Unit	2019	2020	2021
Employment				
Total staff	Person	35,238	31,368	**27,780**
Males	Person	10,885	9,818	**8,841**
Females	Person	24,353	21,550	**189,39**
Labour contract staff	Person	27,678	24,911	**22,439**
Labour dispatch staff	Person	3,576	3,326	**2,788**
Staff in other ways of employment[1]	Person	3,984	3,131	**2,553**
Under 30 years old	Person	2,788	2,289	**1,840**
30-50 years old	Person	26,960	23,781	**20,436**
Over 50 years old	Person	5,490	5,298	**5,504**
Number of staff from mainland	Person	35,237	31,368	**27,780**
Number of staff from Hong Kong, Macao and Taiwan & overseas	Person	1	0	**0**
Employee turnover rate	%	19.90	26.98	**25.43**
Male employees' turnover rate	%	17.59	33.29	**23.01**
Female employees' turnover rate	%	20.90	24.11	**26.56**
Under 30 years old employees' turnover rate	%	37.45	64.53	**63.48**
30-50 years old employees' turnover rate	%	16.02	21.69	**19.52**
Over 50 years old employees' turnover rate	%	26.16	34.50	**34.67**
Turnover rate of staff from mainland	%	19.90	26.97	**25.43**
Turnover rate of staff from Hong Kong, Macao and Taiwan & overseas	%	0	0	**0**
Health and safety				
Number of work-related fatalities	Person	1	0	**0**
Lost days due to work injury	Day	9,816	9,858	**9,870**
Number of participants attending safety trainings	Person time	238,333	165,660	**136,131**
Development and training				
Percentage of employees trained	%	94.41	93.50	**96.31**
Percentage of male employees trained	%	90.95	30.89	**32.16**
Percentage of female employees trained	%	95.96	69.11	**67.84**
Percentage of junior management trained	%	93.69	97.63	**98.00**
Percentage of middle management trained	%	97.87	2.24	**1.87**
Percentage of senior management trained	%	100	0.12	**0.14**
Average training hours completed per employee	Hour	19.14	17.36	**18.93**
Average training hours completed by male employees	Hour	26.22	19.22	**21.98**
Average training hours completed by female employees	Hour	15.98	16.50	**17.51**
Average training hours completed by junior management	Hour	19.07	17.03	**18.44**
Average training hours completed by middle management	Hour	22.99	32.19	**39.94**
Average training hours completed by senior management	Hour	18.59	15.78	**26.27**

Note:

1. Staff in other forms of employment includes hourly workers, people re-employed after retirement, outsourcing staff, borrowed staff, people who agree to retain the social insurance relations, and apprentices.

Product Responsibility

Performance indicator	Unit	2019	2020	2021
Sales of products sold subject to recalls for safety and health reasons as a percentage of total sales	%	0.002	0.003	**0.004**
Complaint received in relation to products and services	Case	4,120	3,645	**4,637**
Complaint treatment rate with respect to products and services	%	100	100	**100**
Confirmed complaint of infringement of customer privacy and loss of customer information	Case	/	0	**0**

Supply Chain Management

Performance indicator	Unit	2019	2020	2021
Number of suppliers	/	2,033	2,279	**1,924**
Number of suppliers from mainland	/	2,031	2,277	**1,922**
Number of suppliers from Hong Kong, Macao and Taiwan & overseas	/	2	2	**2**

Anti-Corruption

Performance indicator	Unit	2019	2020	2021
Percentage of employees covered by anti-corruption training	%	/	12.52	**23.29**
Average hours of anti-corruption training per employee	Hour	/	1.54	**1.46**
Percentage of members of the Board covered by anti-corruption training	%	/	27.27	**72.73**
Average hours of anti-corruption training per director	Hour	/	3.00	**2.50**
Number of concluded lawsuits regarding corruption brought against the issuer or its employees during the reporting period	Case	0	0	**0**

Note:

1. Compared with 2020, the increase in the proportion of board members covered by anti-corruption training in 2021 was due to the addition of anti-corruption training contents on corporate governance to the training contents on the Listing Rules offered by lawyers of a Hong Kong law firm for the Company's Directors, Supervisors and senior executives on 2 December 2021. The training time is 2.5 hours, and 9 directors participated in the training. In addition, 3 Directors (including 1 Executive Director and 2 Non-executive Directors recommended by Bailian Group) participated in the anti-corruption training organized by the party disciplinary committee department of their respective units.

Community Investment

Performance indicator	Unit	2019	2020	2021
Number of volunteers	Person time	1,255	327	**3,907**
Number of volunteer services hours	Hour	4,297	293	**5,959.5**
Public welfare and community investment amount	RMB'0000	35.03	46.98	**15.38**

Note:

1. Compared with 2020, the increase in employee volunteer service times and employee volunteer service hours in 2021 was mainly due to the addition of volunteer activities at the party branch level in the scope of Lianhua Huashang's statistics.

7 Index of ESG Reporting Guide by SEHK

Mandatory Disclosure Requirements	Part B: Mandatory Disclosure Requirements	Chapter Disclosed
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Corporate Social Responsibility Management
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be discussed. **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	About Report Preparation
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About Report Preparation

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
	Subject Area A. Environmental **Aspect A1. Emissions**	
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management
KPI A1.1	The types of emissions and respective emissions data.	Waste Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Data
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Data
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Data
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Management
KPI A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
Aspect A2. Use of Resources		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	Identification and Management of Climate Change Risks
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Data
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Data
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resource
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Data
Aspect A3. The Environment and Natural Resources		
General Disclosure A3	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Environmental Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management
Aspect A4. Climate Change		
General Disclosure A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Identification and Management of Climate Change Risks
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Identification and Management of Climate Change Risks

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
Subject Area B. Social Employment and Labour Practices		
Aspect B1. Employment		
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Protection of Rights and Benefits of Staff
KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	Data
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Data
Aspect B2. Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Health and Workplace Safety
KPI B2.1	Number and rate of work-related fatalities.	Data
KPI B2.2	Lost days due to work injury.	Data
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee Health and Workplace Safety

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
	Aspect B3. Development and Training	
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Development and Vocational Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Data
KPI B3.2	The average training hours completed per employee by gender and employee category.	Data
	Aspect B4. Labour Standards	
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Protection of Rights and Benefits of Staff
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Protection of Rights and Benefits of Staff
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Not related

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
	Subject Area B. Social Operating Practices **Aspect B5. Supply Chain Management**	
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	Product Quality Management
KPI B5.1	Number of suppliers by geographical region.	Data
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Product Quality Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Product Quality Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Product Quality Management
	Aspect B6. Product Responsibility	
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Quality Management
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Data
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service Data
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	The indicator is not applicable as the Company is a retail enterprise and the products it sells mainly include fresh produce, private label and other branded products and no management of intellectual property rights involved
KPI B6.4	Description of quality assurance process and recall procedures.	Product Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Service

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
	Aspect B7. Anti-corruption	
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliant Operation
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Data
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Compliant Operation
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Compliant Operation
	Aspect B8. Community Investment	
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Build a harmonious community together
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Ensure people's livelihood and create a better future with the community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Data

About Report Preparation

The 2021 Environmental, Social and Governance Report of Lianhua Supermarket (hereinafter referred to as the "Report") is the sixth Environmental, Social and Governance (ESG) Report published by Lianhua Supermarket Holdings Co., Ltd. and states the principles adopted by Lianhua Supermarket Holdings Co., Ltd. in 2021 in fulfilling its social responsibility and the work performance, including topics about sustainable development of environment and society that attract attention of important stakeholders.

Basis for Compilation

The Report is compiled based on Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as "SEHK").

Reliability Assurance

The Board of Directors ensures that there is no false record, misleading statement or material omission in the content of the Report.

No negative environmental information was identified for Lianhua Supermarket Holdings Co., Ltd. and its subsidiaries involved in the Report through the search conducted on the credit database of Shanghai Qingyue.

Reporting Principles

The Report follows reporting principles of the Environmental, Social and Governance Reporting Guide of the SEHK, including:

Materiality Principle

Based on this principle, the Report determines the issues that need to be responded to through materiality analysis. It also focuses on issues that may have significant impacts on investors and other stakeholders in relation to environmental, social and governance issues.

Quantitative Principle

Based on this principle, the Report discloses key quantitative performance indicators, explains the meaning of indicators, and makes clear calculation basis and assumptions.

Balance Principle

Based on this principle, the Report reflects objective facts and discloses indicators involving both positive and negative information.

Consistency Principle

Based on this principle, the Report explains the meaning of disclosed ESG key quantitative performance indicators, and makes clear calculation basis and assumptions; meanwhile, indicators used in different reporting periods shall be kept as consistent as possible to reflect the trend of performance level.

Scope of Reporting

Scope of organization: The Report covers Lianhua Supermarket Holdings Co., Ltd. and its subsidiaries (collectively the "Group"), which conform to the entities covered in the consolidated financial statements in the Company's annual report.

Full Name of Companies	Abbreviation in the Report
Lianhua Supermarket Holdings Co., Ltd.	Lianhua Supermarket or the Group/the Company
Shanghai Century Lianhua Supermarket Development Co., Ltd.	Century Lianhua or Hypermarket Operation Centre
Shanghai Lianhua Supermarket Development Co., Ltd.	Lianhua Supermarket Development or Supermarket Operation Centre
Lianhua Logistics Co., Ltd.	Lianhua Logistics
Shanghai Lianhua Quik Convenience Stores Co., Ltd.	Lianhua Quik
Hangzhou Lianhua Huashang Group Co., Ltd.	Lianhua Huashang
Anhui Century Lianhua Development Co., Ltd.	Lianhua Anhui Company
Henan Century Lianhua Supermarket Co., Ltd.	Lianhua Henan Company
Lianhua Supermarket (Jiangsu) Co., Ltd.	Lianhua Jiangsu Company
Guangxi Lianhua Supermarket Joint Stock Co., Ltd.	Lianhua Guangxi Company

Range of Period

The Report is an annual report and covers the period from 1 January 2021 to 31 December 2021.

Explanation on Data

All data and cases are based on the original records or financial reports from the actual operation of the Group.

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