联华超市股份有限公司

LIANHUA SUPERMARKET HOLDINGS CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00980)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

Set out below are the summary of financial information of the Group for the year ended 31 December 2008:

- Turnover of approximately RMB20.70 billion, a growth of 14.46% over 2007. Gross profit of approximately RMB2.81 billion, a growth of 19.46% over 2007. Gross profit margin of 13.55%, an increase of 0.56 percentage point over 2007.

- Attributable profit to shareholders of RMB388 million, a remarkable growth of 44.74% over 2007. Net profit margin of 1.88%, an increase of 0.40 percentage point over 2007. Basic earning per share of RMB0.62.

- The profitability of core businesses improved significantly and the operating profit of the three main segments was a steady growth. The operating profit of hypermarkets amounted to RMB118.66 million, a significant increase compared with that of 2007. The operating profit margin rose from 0.05% in 2007 to 1% in 2008. The operating profit of supermarkets amounted to RMB269.12 million, a 16.39% increase compared with that of 2007. The operating profit margin rose steadily from 3.52% in 2007 to 3.82% in 2008. The operating profit of convenience stores amounted to RMB26.57 million, a 8.82% increase compared with that of 2007, if one-off income on the disposal of Guangzhou Lianhua Quik Stores Co., Ltd in 2007 is excluded. The operating margin rose steadily to 1.67% in 2008.

- 464 outlets were opened in 2008. As at 31 December 2008, the total number of outlets of the Group was 3,872 (excluding those operated through associated companies but including franchised outlets), of which 127 were hypermarkets, 1,788 were supermarkets and 1,957 were convenience stores. Regional strength further reinforced with 84% of the outlets located in Eastern China area. Total number of franchised outlets reached 2,265, representing 58% of the total number of outlets of the Group.

- The overall same store sales growth rate of the Group was 8.30% compared with that of 2007. The growth rates for hypermarkets, supermarkets and convenience stores were 7.8%, 9.50% and 6.90%, respectively.

- The total dividend to be distributed for the year was RMB0.25 (tax included) per share, of which, the interim dividend of RMB0.10 per share was paid, the proposed final dividend is RMB0.15 per share.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year Ended 31 December 2008

	Note	**2008**	2007
		RMB'000	*RMB'000*
Turnover	*4*	**20,702,441**	18,086,857
Cost of sales	*6*	**(17,896,661)**	(15,738,221)
Gross profit		**2,805,780**	2,348,636
Other revenues	*4*	**1,885,620**	1,619,536
Other income	*5*	**247,651**	638,132
Distribution costs	*6*	**(4,069,104)**	(3,462,317)
Administrative expenses	*6*	**(423,577)**	(363,519)
Other operating expenses	*6*	**(87,134)**	(363,174)
Operating profit		**359,236**	417,294
Finance income		**85,336**	38,818
Finance costs		**(979)**	(1,133)
Finance income – net	*7*	**84,357**	37,685
Share of results of associates		**149,482**	130,475
Profit before taxation		**593,075**	585,454
Taxation	*8*	**(130,845)**	(204,805)
Profit for the year		**462,230**	380,649
Attributable to:			
Company's shareholders		**388,341**	268,301
Minority interests		**73,889**	112,348
		462,230	380,649
Dividends			
– Interim	*9*	**62,200**	37,320
– Final	*9*	**93,300**	74,640
Basic and diluted earnings per share for profit attributable to Company's shareholders	*10*	**RMB0.62**	RMB0.43

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	31 December 2008 RMB'000	31 December 2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,516,387**	2,583,134
Construction in progress		**153,088**	171,561
Land use rights		**309,519**	284,429
Intangible assets		**183,816**	193,941
Investments in associates		**437,223**	394,051
Available-for-sale financial assets		**30,158**	26,158
Held-to-maturity financial assets		**8,800**	–
Term deposits with initial term of exceeding 1 year		**230,000**	–
Deferred tax assets		**65,239**	44,672
Other non-current assets		**26,697**	28,220
		3,960,927	3,726,166
Current assets			
Inventories		**2,270,696**	1,926,462
Trade receivables	*11*	**37,551**	34,633
Deposits, prepayments and other receivables		**629,109**	596,462
Amounts due from associates		**532**	34
Available-for-sale financial assets		**215,000**	120,000
Financial assets at fair value through profit or loss		**27,706**	116,420
Term deposits with initial term of over 3 months but not exceeding 1 year			
– Restricted		**649,000**	–
– Unrestricted		**2,584,500**	–
Cash and cash equivalents		**3,326,315**	5,022,277
		9,740,409	7,816,288
Total assets		**13,701,336**	11,542,454

	Note	31 December 2008 RMB'000	31 December 2007 RMB'000
EQUITY			
Equity attributable to the Company's shareholders			
Share capital		**622,000**	622,000
Reserves			
– Proposed final dividend		**93,300**	74,640
– Others		**1,775,142**	1,542,301
		2,490,442	2,238,941
Minority interests		**400,142**	351,820
Total equity		**2,890,584**	2,590,761
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**53,432**	70,097
Current liabilities			
Trade payables	*12*	**3,130,020**	2,815,286
Other payables and accruals		**1,539,754**	1,113,454
Coupon liabilities		**5,937,430**	4,782,538
Amounts due to associates		**24,681**	7,865
Amount due to holding company		**39,000**	39,000
Amounts due to other related parties		**30,788**	41,632
Taxation payable		**55,647**	81,821
		10,757,320	8,881,596
Total liabilities		**10,810,752**	8,951,693
Total equity and liabilities		**13,701,336**	11,542,454
Net current liabilities		**(1,016,911)**	(1,065,308)
Total assets less current liabilities		**2,944,016**	2,660,858

SELECTED NOTES TO THE CONSOLIDATED ACCOUNTS

For the Year Ended 31 December 2008

1. PRINCIPAL ACTIVITIES

The principal activities of Lianhua Supermarket Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and its associates are the operation of a chain of supermarkets, hypermarkets and convenience stores, primarily in the Eastern Region of the People's Republic of China (the "PRC"). All the operating assets of the Group and its associates are located in the PRC.

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 11th to 15th Floors, 1666 Sichuan (North) Road, Shanghai, the PRC, the place of business in the PRC is 5th to 13th Floors, 1258 Zhen Guang Road, Shanghai, the PRC. The Company is listed on the main board of The Stock Exchange of Hong Kong Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies in the accounts, financial assets and financial liabilities are generally stated at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

In 2008, the Group adopted the following new standards, amendments and interpretation of HKFRS, which are effective in 2008 and relevant to the Group's operations.

- HKAS 39, "Financial Instruments: Recognition and Measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial Instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's accounts, as the Group has not reclassified any financial assets.

Certain new standards, amendments and interpretations to existing standards of HKFRS have been published but are not yet effective for the annual period beginning on 1 January 2008 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

- HKAS 1 (Revised) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009, but it is not expected to have any significant impact on the Group's accounts.

- HKFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). HKFRS 8 replaces HKAS 14 and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. Based on current preliminary assessment, the adoption of the standard is not expected to have any significant impact on the Group's accounts.

- HK(IFRIC) – Int 13 “Customer Loyalty Programmes” (effective for annual periods beginning on or after 1 July 2008). HK(IRFIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply HK(IFRIC) – Int 13 from 1 January 2009, but it is not expected to have any significant impact on the Group’s accounts.

- HKAS 23 (Revised) “Borrowing Costs” (effective for annual periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009, but it is not expected to have any significant impact on the Group’s accounts.

- HKAS 27 (Revised) “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010. The adoption of the standard is not expected to have significant impact on the Group’s accounts as currently no material transaction with minority interest is anticipated.

- HKFRS 3 (Revised) “Business Combinations” (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are “capable of being conducted” rather than “are conducted and managed”. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRS. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010. The adoption of the standard is not expected to have significant impact on the Group’s accounts as currently no material business combination activities are anticipated.

- HKAS 28 (Amendment), “Investments in Associates” (and consequential amendments to HKAS 32, “Financial Instruments: Presentation” and HKFRS 7, “Financial Instruments: Disclosures”) (effective for annual periods beginning on or after 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investments in associates and any related impairment losses from 1 January 2009. The adoption of the standard is currently not expected to have significant impact on the Group’s accounts. The Group will assess the impact as it becomes aware of any indicators and currently no material impairment indicators from associates are anticipated.

- HKAS 36 (Amendment), "Impairment of Assets" (effective for annual periods beginning on or after 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" (effective for annual periods beginning on or after 1 January 2009).

  – This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  – The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

  The Group will apply the HKAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement. The adoption of the standard is not expected to have significant impact on the Group's accounts as currently no material hedging investment are anticipated.

- There are a number of minor amendments to HKFRS 7, "Financial Instruments: Disclosures", HKAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", HKAS 10, "Events after the Balance Sheet Date", HKAS 18, "Revenue" and HKAS 34, "Interim Financial Reporting" which are not addressed above. These amendments are unlikely to have an impact on the Group's accounts and have therefore not been analysed in detail.

3. SEGMENT INFORMATION

No geographical segment analysis is presented as all assets and operations of the Group are located in the PRC.

The principal operation of the Group is organised into three main business segments:

- Supermarkets chain operation
- Hypermarkets chain operation
- Convenience stores chain operation

There are no significant sales or other transactions between the business segments.

Other operations of the Group mainly comprise sales of merchandise to wholesalers; provision of logistic services for wholesale business; and sales through internet.

The segment results for the year ended 31 December 2008 are as follows:

	Supermarkets *RMB'000*	Hypermarkets *RMB'000*	Convenience stores *RMB'000*	Other operations *RMB'000*	Group *RMB'000*
2008					
Segment revenue	**7,514,453**	**13,159,777**	**1,710,919**	**202,912**	**22,588,061**
Including sales of merchandise to franchised stores at cost	**604,213**	**–**	**445,266**	**–**	**1,049,479**
Segment results	**220,286**	**84,861**	**26,573**	**13,810**	**345,530**
Other income					**116,960**
Unallocated costs					**(103,254)**
Operating profit					**359,236**
Finance income					**85,336**
Finance costs					**(979)**
Finance income – net					**84,357**
Share of results of associates					**149,482**
Profit before taxation					**593,075**
Taxation					**(130,845)**
Profit for the year					**462,230**

Other segment items are as follows:

	Supermarkets	Hypermarkets	Convenience stores	Other operations	Group
Capital expenditure	**153,128**	**351,648**	**12,517**	**5,198**	**522,491**
Depreciation charge	**136,164**	**308,040**	**22,921**	**26,060**	**493,185**
Amortisation charge	**11,459**	**15,696**	**1,660**	**4,702**	**33,517**
Impairment charge	**4,372**	**21,584**	**–**	**–**	**25,956**
Loss on disposal of property, plant and equipment	**14,679**	**12,039**	**–**	**6,608**	**33,326**

The segment results for the year ended 31 December 2007 are as follows:

	Supermarkets *RMB'000*	Hypermarkets *RMB'000*	Convenience stores *RMB'000*	Other operations *RMB'000*	Group *RMB'000*
2007					
Segment revenue	7,017,433	10,856,490	1,642,917	189,553	19,706,393
Including sales of merchandise to franchised stores at cost	503,434	–	398,806	–	902,240
Segment results	184,344	(242,722)	44,729	4,024	(9,625)
Other income					518,225
Unallocated costs					(91,306)
Operating profit					417,294
Finance income					38,818
Finance costs					(1,133)
Finance income – net					37,685
Share of results of associates					130,475
Profit before taxation					585,454
Taxation					(204,805)
Profit for the year					380,649

Other segment items are as follows:

	Supermarkets *RMB'000*	Hypermarkets *RMB'000*	Convenience stores *RMB'000*	Other operations *RMB'000*	Group *RMB'000*
Capital expenditure	104,318	334,759	9,525	17,919	466,521
Depreciation charge	142,700	257,665	31,779	20,227	452,371
Amortisation charge	8,449	15,671	1,235	6,409	31,764
Impairment charge	23,539	105,729	–	–	129,268
Loss on disposal of property, plant and equipment	33,156	81,119	3,436	563	118,274
Loss on disposal of other non-current assets	1,500	8,381	–	–	9,881

The segment assets and liabilities at 31 December 2008 are as follows:

	Supermarkets *RMB'000*	**Hypermarkets** *RMB'000*	**Convenience stores** *RMB'000*	**Other operations** *RMB'000*	**Group** *RMB'000*
Segment assets	3,913,089	7,537,454	364,494	73,542	11,888,579
Investments in associates					437,223
Unallocated assets					1,375,534
Total assets					13,701,336
Segment liabilities	3,065,309	7,347,848	331,356	14,619	10,759,132
Unallocated liabilities					51,620
Total liabilities					10,810,752

The segment assets and liabilities at 31 December 2007 are as follows:

	Supermarkets *RMB'000*	Hypermarkets *RMB'000*	Convenience stores *RMB'000*	Other operations *RMB'000*	Group *RMB'000*
Segment assets	3,771,095	5,408,794	326,735	67,126	9,573,750
Investments in associates					394,051
Unallocated assets					1,574,653
Total assets					11,542,454
Segment liabilities	3,333,846	5,240,715	261,368	35,093	8,871,022
Unallocated liabilities					80,671
Total liabilities					8,951,693

Unallocated costs represent corporate expenses.

Segment assets consist primarily of property, plant and equipment, land use rights, intangible assets, inventories, receivables, term deposits and operating cash. They mainly exclude certain corporate cash and cash equivalents, investments in associates, deferred tax assets, amounts due from related parties, available-for-sale financial assets, held-to-maturity financial assets and financial assets at fair value through profit or loss.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment, construction in progress, land use rights, intangible assets and other non-current assets, including additions resulting from acquisitions through purchases of subsidiaries.

4. TURNOVER AND OTHER REVENUES

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

	2008	2007
	RMB'000	*RMB'000*
Turnover		
Sales of merchandise	**20,702,441**	18,086,857
Other revenues		
Income from suppliers		
– Promotion and store display income	**1,367,706**	1,195,161
– Merchandise storage and delivery income	**40,681**	37,886
– Information system service income	**7,298**	6,955
Gross rental income from leasing of shop premises	**396,649**	312,905
Royalty income from franchised stores	**31,933**	30,868
Commission income from coupon redemption in other retailers	**41,353**	35,761
	1,885,620	1,619,536
Total revenues	**22,588,061**	19,706,393

5. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Government subsidies	**36,378**	22,150
Gain on trading of financial assets at fair value through profit or loss	**32,641**	435,976
Fair value gain (unrealised) on financial assets at fair value through profit or loss	**–**	72,268
Gain on disposal of available-for-sale financial assets	**10,956**	9,981
Gain on disposal of a subsidiary	**–**	20,309
Gain on disposal of land use rights	**–**	8,930
Compensation on store relocation and lease termination	**26,339**	8,316
Interest income on term deposits	**67,250**	–
Salvage sales	**38,345**	37,107
Others	**35,742**	23,095
	247,651	638,132

6. EXPENSES BY NATURE

	2008	2007
	RMB'000	*RMB'000*
Cost of merchandise	**17,896,661**	15,738,221
Amortisation of other non-current assets	**1,523**	1,987
Amortisation of software	**20,329**	19,806
Amortisation of land use rights	**11,665**	9,971
Auditors' remuneration	**5,911**	5,950
Depreciation of property, plant and equipment	**493,185**	452,371
Loss on disposal of property, plant and equipment	**33,326**	118,274
Loss on disposal of other non-current assets	**–**	9,881
Operating lease rental in respect of land and buildings	**1,171,046**	994,695
Outgoings for income from leasing of shop premises	**152,140**	117,546
Staff costs	**1,526,046**	1,179,486
Pre-operating expenses	**7,199**	8,518
Utility expenses	**418,286**	405,302
Advertising and promotion costs	**129,791**	49,616
Other store operating expenses	**402,284**	380,321
Impairment of property, plant and equipment	**25,956**	106,012
Impairment of intangible assets	**–**	20,059
Impairment of other non-current assets	**–**	3,197
Store closure expenses and provision *(Note a)*	**8,155**	97,728
Other expenses	**172,973**	208,290
Total cost of sales, distribution costs, administrative expenses and other operating expenses	**22,476,476**	19,927,231

Note:

(a) The store closure expenses and provision for 2008 consist primarily of the compensation for early termination of lease contracts of RMB5,579,000 (2007: RMB66,198,000), write-off of non-recoverable assets of RMBnil (2007: RMB21,500,000), staff dismissal compensation of RMB1,897,000 (2007: RMB7,854,000) and other miscellaneous items of RMB679,000 (2007: RMB2,176,000).

7. FINANCE INCOME AND COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest income on cash and cash equivalents	**85,336**	38,818
Interest expenses	**(979)**	(1,133)
Net finance income	**84,357**	37,685

8. TAXATION

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits subject to Hong Kong profits tax.

PRC income tax for 2008 is calculated based on the statutory income tax rate of 25% of assessable income of the Group based on the relevant PRC tax rules and regulations except for certain subsidiaries which are taxed at preferential rates ranging from 0% to 18%. In 2007, the current taxation was based on a tax rate of 33% while the deferred taxation was primarily based on a tax rate of 25%. This decrease is mainly due to the implementation of the Corporate Income Tax Law (the "CIT Law") of the PRC approved by the National People's Congress on 16 March 2007. The CIT Law reduces the standard PRC corporate income tax rate from 33% to 25% with effect from 1 January 2008.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2008	2007
	RMB'000	*RMB'000*
PRC income tax		
– Current taxation	**168,077**	218,536
– Deferred taxation	**(37,232)**	(13,731)
	130,845	204,805

9. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Interim dividend, paid, of RMB0.10 (2007: RMB0.06) per share	**62,200**	37,320
Final dividend, proposed, of RMB0.15 (2007: RMB0.12) per share	**93,300**	74,640
	155,500	111,960

At a meeting held on 12 August 2008, the Directors declared an interim dividend of RMB0.10 per share which was within the limit authorised by the Company's shareholders during the Annual General Meeting for the year 2007 held on 20 June 2008.

At a meeting held on 30 March 2009, the Directors proposed a final dividend of RMB0.15 per share for 2008 (2007: RMB0.12 per share). This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008 upon approval by the shareholders at the forthcoming Annual General Meeting.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to Company's shareholders by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to Company's shareholders *(RMB'000)*	**388,341**	268,301
Weighted average number of ordinary shares in issue *('000)*	**622,000**	622,000
Basic earnings per share	**RMB0.62**	RMB0.43

As there were no dilutive options and other dilutive potential shares in issue during both periods presented, diluted earnings per share is the same as basic earnings per share.

11. TRADE RECEIVABLES

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

	2008 ***RMB'000***	2007 *RMB'000*
Within 30 days	**29,021**	29,555
30-60 days	**8,294**	1,575
61-90 days	**17**	3,155
91 days-one year	**219**	348
	37,551	34,633

12. TRADE PAYABLES

The ageing analysis of the trade payables are as follows:

	2008 ***RMB'000***	2007 *RMB'000*
Within 30 days	**2,707,495**	2,368,989
30-60 days	**313,875**	234,452
61-90 days	**75,704**	71,520
91 days-one year	**32,946**	140,325
	3,130,020	2,815,286

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

According to the statistics published by the National Bureau of Statistics of China, the growth in GDP in China was 9% in 2008 and the growth in Consumer Price Index ("CPI") reached 5.90%, which was a record-high over the past 12 years. The annual total retail sales of consumer goods reached RMB10,848.8 billion, representing a growth of 21.60% as compared to previous year with a growth of 4.80 percentage point. The annual disposable income per capita of urban citizens was RMB15,781. Excluding the pricing factors, the actual growth was 8.40%, down 4 percentage point as compared to the growth rate of 12.20% in 2007.

The actual impact of the global financial crisis on the economy gradually came into view: from the second half of 2008, the economic growth obviously slowed down and the annual economic growth was the slowest among the past seven years. Residents' expectation on the future income became pessimistic due to the drop in stock markets and property markets, and the reduction in the profitability of enterprises. Financial crisis has hit various industries severely. Consumers' confidence was negatively affected by the unemployment crisis and the pressure on income increase. The Consumer Confidence Index published by the National Bureau of Statistics of China decreased to 87.30 in December 2008 from 94.50 in July 2008.

Although the financial crisis will exert enormous pressure on the growth of the retail industry in the short term, the Group remains optimistic about the long term prospect of the industry. Firstly, with a view to stimulating the economy, the central and local governments have already put in place a series of measures to stimulate consumption growth, such as distributing consumption vouchers, "providing subsidies to farmers in purchasing electrical appliances" and supporting "supermarkets to open outlets in rural areas" under the "marketing project for ten thousand villages and a thousand rural areas". It is believed that these measures will play a part in stimulating consumer spending. Secondly, China's urbanization process will not be slowed down and the consumer market capacity will continue to grow. Thirdly, with China's economy growing rapidly for years, resident income has increased significantly and continued to rise, particularly in certain developed cities. Therefore, the demand for the quality of products will not be given up by consumers, and the consumption concept of stressing on the importance of quality and safety is gradually taking root. Fourthly, the generation borned during the 80's who has brand new consumption attitude and purchase power is becoming the dominant consumer group in China. This group, comprising baby boomers, forms many new families, which, to a large extent, become the new force for the growth of consumption. The Group believes that opportunities and challenges co-exist and China's retail industry still have the room and ability to grow steadily.

Financial Review

Growth in turnover and consolidated income

In 2008, the Group recorded a turnover of RMB20.70 billion, representing a growth of 14.46% as compared with that of 2007, and same store sales growth reached 8.30%. Turnover increased steadily due to the prominent effect of continuous improvement in operation and the excellent performance of new outlets. As a result of dropping prices, shrinking consumption and the effects of other factors, the same store sales growth rate slowed down in the second half of the year.

During the year, the gross profit grew steadily and increased to RMB2,805.78 million, an increase of 19.46% as compared to that of previous year. The gross profit margin increased steadily by 0.56 percentage point to 13.55% due to the Group's continuous improvement in its product mix and good pricing strategy. The consolidated income reached RMB4,939.05 million with a consolidated income margin of 23.86%, which is a well-maintained level.

Notes:

1. Consolidated income = Gross profit + Other revenues + Other income

2. Consolidated income margin = (Gross profit + Other revenues + Other income)/Turnover

Cost and net profit

In 2008, the Group was still under the pressure of rising operating cost. Its overall cost ratio slightly increased by 0.55 percentage point as compared to that of the previous year, of which the ratio of labour cost increased by 0.85 percentage point due to the external factors, while the ratio of utility expenses, depreciation and amortization all decreased.

The operating profit reached RMB359.24 million, representing a decrease of 13.91% over that of 2007. Excluding non-recurring expenses and profit in both years, the actual growth was approximately 79.30% as compared to that of 2007.

The Group recorded a total net profit attributable to the Company's shareholders of RMB388.34 million, representing an increase of 44.74% over that of 2007. The growth of net profit resulted from the sharp growth in the profitability of core business and the advantage of decreased tax rate. In 2008, the net profit margin attributable to the Company's shareholders reached 1.88% and earnings per share reached RMB0.62.

Liquidity

In 2008, thanks to the solid growth in the business operation and the coupon issuing, the Group's net cash inflow from operating activities remained strong and reached RMB1,597.91 million, cash and bank balances as at the year-end amounted to RMB6,559.82 million. The sufficient cash flow provided good support to the operation capability for commodities and expansion of outlets. Also, while ensuring the liquidity and safety, the Group achieved good financial return through active treasury management.

For the year ended 31 December 2008, the turnover period of the Group's trade payables was 56 days. Inventory turnover period was approximately 37 days for the period.

During the year, the Group did not use any financial instrument for hedging purposes and the Group did not issue any hedging instrument as at 31 December 2008.

Growth in retail business

During the year, the Group's hypermarkets recorded a turnover of RMB11,910.71 million, which accounted for approximately 57.53% of the Group's turnover, representing an increase of approximately 20.97%, and gross profit margin increased steadily to 11.83%. Same store sales growth reached 7.80%. Segment operating profit was approximately RMB118.66 million, representing an increase of RMB113.45 million over that of 2007. The operating profit margin rose by 0.95 percentage point as compared with that of 2007 and the profitability of hypermarkets improved significantly.

	2008	2007
Gross profit margin (%)	**11.83**	11.09
Consolidated income margin (%)	**23.04**	24.23
Operating profit margin (%)	**1.00**	0.05

During the year, the Group's supermarkets recorded a turnover of approximately RMB7,045.98 million, which accounted for approximately 34.03% of the Group's turnover, representing an increase of 7.40% over that of the previous year, and gross profit margin increased to 15.83% on a stable basis. Same store sales growth reached 9.50%. Segment operating profit was approximately RMB269.12 million. The continuous transformation of supermarkets outlets brought the steady growth of profitability of the segment.

	2008	2007
Gross profit margin (%)	**15.83**	15.09
Consolidated income margin (%)	**24.13**	23.51
Operating profit margin (%)	**3.82**	3.52

During the year, the Group's convenience stores recorded a turnover of approximately RMB1,591.67 million, which accounted for approximately 7.69% of the Group's turnover, representing an increase of approximately 4.44% over that of the previous year. Gross profit margin increased slightly to 15.58%. Same stores sales growth reached 6.90%. Segment operating profit was approximately RMB26.57 million, representing a stable 8.82% increase over that of 2007, if one-off income on the disposal of Guangzhou Lianhua Quik Stores Co., Ltd in 2007 is excluded.

	2008	2007
Gross profit margin (%)	**15.58**	15.47
Consolidated income margin (%)	**23.22**	24.84
Operating profit margin (%)	**1.67**	2.93

Capital structure

As at 31 December 2008, the Group's cash and bank balances were mainly held in Renminbi and the Group had no bank borrowings.

During the period under review, equity attributable to shareholders of the Group increased from RMB2,238.94 million to RMB2,490.44 million, which was mainly due to net profit of 2008 amounting to RMB388.34 million and dividends distribution amounting to RMB136.84 million during the period under review.

Details of pledged assets of the Group

As at 31 December 2008, the Group did not pledge any of its assets.

Exposure to foreign exchange risk

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

Share capital

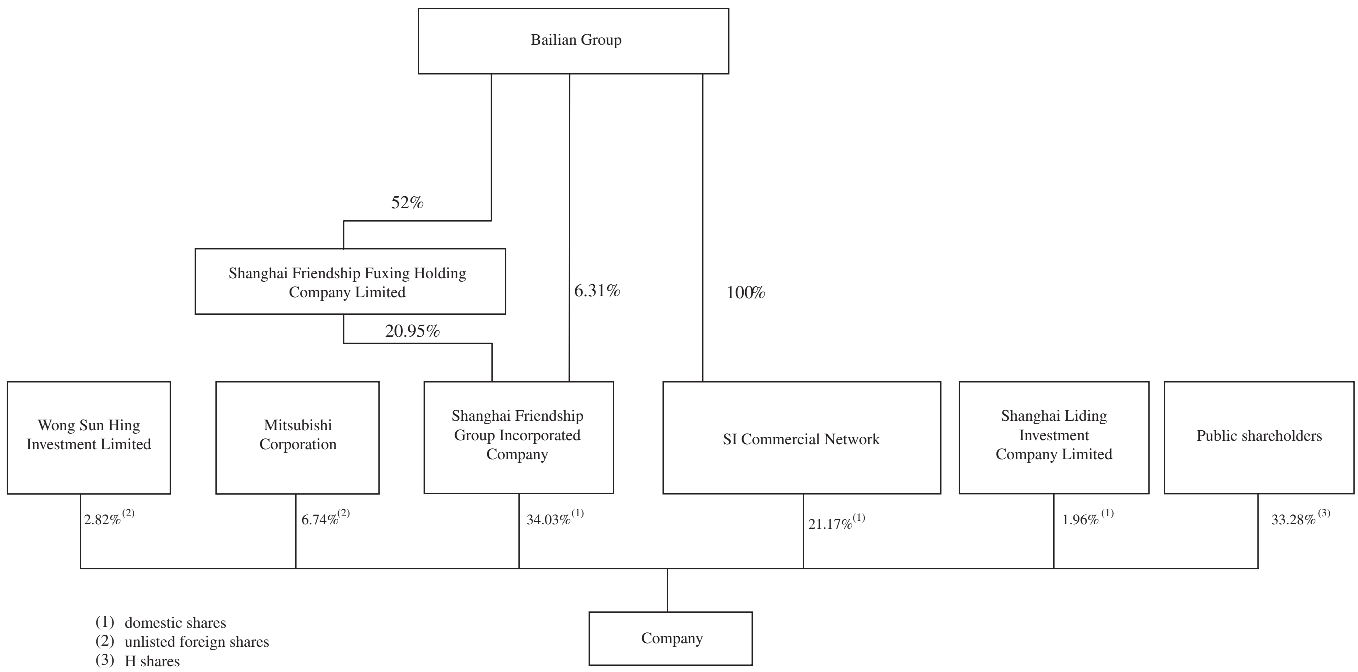
As at 31 December 2008, the classes and number of shares of the Company are as follows:

Class of shares	No. of issued shares	Percentage
Domestic shares	355,543,000	57.16
Unlisted foreign shares	59,457,000	9.56
H shares	207,000,000	33.28
Total	622,000,000	100.00

The Company was informed that two shareholders of Shanghai Industrial United (Group) Commercial Network Development Company Limited ("SI Commercial Network"), namely Shanghai Industrial Pharmaceutical Investment Co., Ltd. ("Shanghai Industrial Pharmaceutical") and Shanghai Hua Rui Investment Co., Ltd. ("Shanghai Hua Rui"), entered into an equity transfer agreement (the "Equity Transfer Agreement") with Bailian Group Co., Ltd. ("Bailian Group") on 21 January 2009.

SI Commercial Network owns 131,683,000 domestic shares of the Company, representing approximately 21.17% of the equity interest in the Company. Pursuant to the Equity Transfer Agreement, Shanghai Industrial Pharmaceutical and Shanghai Hua Rui conditionally agreed to transfer approximately 72.62% and 27.38% equity interest of SI Commercial Netwrok, respectively, to Bailian Group at the considerations of RMB766.75 million and RMB289.10 million, respectively. The Company was informed that the equity transfers were completed as at the date of this announcement. Please refer to the announcement of the Company dated 21 January 2009 for details.

Shareholding structure of the Company after completion of the Equity Transfer Agreement



Contingent liabilities

As at 31 December 2008, the Group did not have any significant contingent liability.

Operations Review

Our prudent development strategy enabled us to strengthen our edges on an ongoing basis

As a cross-region and multi-business chain supermarket enterprise, the Group continues to seek better location and open new outlets to make shopping more convenient for customers. In recent years, the Group has maintained a steady pace of opening about 400 outlets every year, and continued to explore potential markets and shopping channels for consumers. The synchronized development of our three major businesses, namely, hypermarkets, supermarkets and convenience stores, has provided consumers with convenience in shopping due to the availability of choices in terms of time and place. In 2008, the Group opened 464 outlets. As at the end of the year, the Group had a total of 3,872 outlets all over the country, spanning across 20 provinces and municipalities under the direct supervision of the Central Government, and 84% of our outlets are located in Eastern China area.

Centralization in regional development is the Group's strategy for network development, which copes with China's actual situation – dispersed markets with a weak supply chain system. Centralized development in focused regions facilitates economies of scale: in Shanghai and Hangzhou, the Group have the largest number of outlets in relation to our 3 major modes of operation in the local markets. The Yangtze Delta region with these two cities as the core is where our major operation lies. The strong logistics distribution and information systems provide support to our aggressive development in this region. The Quik Convenience Store in Dalian is another typical example of development in focused regions. We have already achieved economies of scale and witnessed a promising growth prospect by opening outlets in focused areas and upgrading their operations constantly: in 2008, the growth of same store sales exceeded 10%.

The Group's store expansion considers both focus and coverage of the network, thus enhances the enterprise's risk tolerance. Despite the macro-environment of economic slowdown and shrinking consumption, the Group see opportunities: the State policy of "subsidizing farmers' purchase of electrical appliances" and supporting "supermarkets' move to open outlets in rural areas" under the "marketing project for ten thousand villages and a thousand rural areas" have brought new opportunities to the Group's outlets operating in the second and third tier markets, as well as our franchising business to develop in the rural markets. Although the convenience stores in business districts will be affected directly by sluggish business operations and weaker consumption power of customers, the balanced distribution of the Group's outlets in residential and tourism areas has reduced the overall impact of the negative factors on our businesses.

Our chain supermarket management experience accumulated over the years and the excellent brand reputation established throughout the years have attracted new franchisees. The franchised outlets are mainly located in rural counties and second and third tier cities. With urbanization taking place in recent years, these regions have witnessed a rapid increase in consumption power and market capacity. Capitalizing on the edges of our franchisees, the Group have established a development model outside city centres. The Group endeavour to achieve a win-win situation with our franchisees in our joint development and treat them as targets that we serve. In the "Franchisee Briefing Session" held on every Wednesday, the professional personnel of the Group prepared promotional materials such as videos and pictures for individuals and enterprises which are interested in joining the Group. We also answered their questions and addressed their concerns. Through the professional information system "Home for Franchisees", the merchandise information can also be disclosed and the orders and reconciliations can be made on the internet. In 2008, the Quik Convenience Store opened its 1,000th franchised outlet. As at the end of the year, the number of new franchised outlets of the supermarket and convenience store reached 178 and 218 respectively.

As at 31 December 2008	**Hypermarkets**	**Supermarkets**	**Convenience stores**
Direct operation	127	546	934
Franchise operation	–	1,242	1,023
Total	127	1,788	1,957

Improving operation brought good results which underpinned a solid foundation for long-term development

It is well said that "any high building must be supported by a solid base". In the fierce market competition, the Group understand that our healthy and long-term development relies on continuous improvement of operational capability as well as innovation. Hence, the Group always stress the improvement in our basic capacity and all significant parts of operation. Ongoing pursuit of latest technologies and business models is the key to strengthening the competitiveness of our local retail entities. Since 2007, the Group has been applying the "Strong Outlet strategy" by emphasizing the incessant upgrade of all fundamental functions, such as supply chain system, information system, workflow restructuring and market management.

With the focus on demands of outlets, or actually the needs of consumers, a "Strong Outlet" concept is formed by upgrading the automatic stock replenishment technology with lower out-of-stock rate. By using a B2B platform, we implemented an improvement plan for key suppliers which gained increase in order adequacy rate. Besides, the planning for new distribution centers was made, based on imported advanced technologies as well as practical experience, in order to achieve a high volume distribution with efficiency in Yangtze River Delta. In respect of merchandise management and outlet operation, we adopted and implemented a category management concept for a better operation in merchandise business.

As impacted by the macroeconomic environment and the relevant regulations, our operating costs rose inevitably. As such, the Group continued to seek cost control through increasing the utilization rate of the resources. As to the labour cost, our staff's working efficiency was enhanced by providing training to improve their operational skills. Meanwhile, by improving the work schedule, we endeavored to implement flexible work time in the outlets, with an aim of reducing the overtime work and controlling the increase in labour costs to a reasonable extent. The Group made every effort to reduce the utility charges by improving the electrical equipment and employing energy-saving equipment. Although there was an upward pressure on the labour costs as a result of relevant policies in 2008, the proportion of both utility charges and depreciation and amortization charges to turnover decreased. The Group's overall cost ratio increased slightly by 0.55 percentage point due to the sustainable and effective cost control measures.

The year of 2008 was a year of improvement and innovation for the Group. The accumulated management experience and innovative system strengthened the Group's belief that internal upgrade would facilitate our operational efficiency cost saving and quality service. The Group would finally become a reliable life partner to our customers in their daily life. This served as the foundation for our foothold in the market as well as our ability to cope with challenges.

Be aware of the changes in customers' needs to improve their shopping experiences

Supermarket chain is a traditional yet modern business. The Group needs to keep up with the changes in its customers' needs in order to better organize its merchandise to satisfy their daily needs. The Group also needs to extend the scope of its services to enhance our customers' shopping experiences.

In 2008, with the strength of nationwide presence, the staff of the Group sought out local specialties in different places and subsequently introduced them to customers. Two "Special Chinese Food Festivals ("中華特色美食節")" were held respectively. Over 500 types of local specialties were served in the festivals, which enabled our customers to "taste different foods in one go". On one hand, Shanghai customers tried Lipu Taros from Guangxi and hotpots originated in Sichuan. On the other hand, the northerners tried "Niu Pi Tang", a renowned candy from Yangzhou and pastries from Fu Zi Miao in Nanjing. While providing a wide range of fresh choices for our customers, we noticed that the differentiating operation had brought an increase in our profit as well as positive feedbacks from our customers. Under the circumstances of the economic slowdown and deteriorating consumer sentiment, the Group pay more and closer attention to the change of the consumption trend: in 2008, the Group selectively bought out the merchandise in the market, and then selling them in good quality to our customers for low price. the Group procured fruits and vegetables from the places of origin to maintain the quality and price of such daily necessities.

The year of 2008 was the fifth year of the transformation of our supermarket business. Having gone through different explorations, the Group achieved a better defined positioning in the supermarket sector. In Shanghai, Zhejiang and Guangxi, the Group transformed 215 supermarkets in a more precise way according to commercial zones and communities where they belonged. Such supermarkets included the high-ended "super living house (超級生活館)" and those which has concepts of "fresh", "convenient" or emphasis on food and are adjacent to communities to better serve the needs of the target customers. Moreover, with our belief "Lianhua is right there for you" in mind, the Group kept upgrading the quality of our service as well as got closer with our customers: the concept behind our outlets is about getting integrated in communities and enhancing communication with the residential committees. The Group also extended our care to the elderly by providing them with home delivery service. Our high-ended outlets also had English-speaking staff to serve foreign customers.

In 2008, four "upgraded" Lianhua Quik stores were opened in Shanghai. The "upgraded" Lianhua Quik not only had facelift but also got successfully transformed into small multi-functional outlets where they could easily repay debts on credit cards at "financial path (金融通道)". They could also download games, add value to mobile phones and self-serviced photo-taking through self-service facilities there. All the value-added services extended the concept of traditional retail service. The convenience stores' advantageous network has its additional value and changes its function in customers' daily life. Not only do we sell merchandise, we also provide a number of services for the customers to satisfy their needs in daily life.

Enhance the internal control and risk management to ensure the effective implementation of the corporate strategy

The internal control and risk management is the guarantee of the implementation of our strategy. Today, under the unforeseen economic circumstances with risks emerging suddenly, improvement in the internal control and risk management is critical for an enterprise to survive the crisis. The Group has been dedicated to building an internal management system by instilling in the staff the awareness of internal control at all levels. We stress the assessment and improvement of regulations and processes and carried out risk analysis for projects to ensure effective risk control.

As regards the control of investment risk, the Group established a complete network development procedure and enforce the review on the network by investment management committee. The Group also issued outlet positioning reports and risk evaluation reports so as to provide the strongest guarantee on network quality and minimize investment risk. Due to the cross-region and multi-business nature of the Group, the Group centralised its capital management. Under the premise of emphasizing the safety and liquidity of cash, the Group rigorously controlled investment risk and focus on hedging and appreciation in cash management.

Responsibilities create value. We actively fulfilled our social responsibilities

In face of a series of contingent events in 2008, the Group tried its best to fulfill its social responsibilities. The staff of the Group actively gave donations on their own initiatives to the disaster area in "512" Wenchuan Earthquake in Sichuan. The hypermarket in Deyang, Sichuan was the first commercial retail network to resume operation in the area. It was also actively involved in the earthquake relief work and distributed food and daily necessities to the residents affected by the earthquake. After the State promulgation of the "order of charging fees for plastic bags to discourage their use", our outlets actively organized a series of activities promoting environmental protection concepts to consumers, such as the activity of "accepting the redemption of a recycled bag with 50 bonus points and the award of additional bonus points to members who bring their own shopping bags" In this way, we set an example by taking part in environmental protection. In the milk powder incident, the Group also shouldered the social responsibility of receiving returned goods from consumers. As an end supplier providing consumers with food and daily necessities, the Group is aware of our huge responsibility in quality supervision, and we endeavour to guarantee the quality and safety of our merchandise through stringent management. We have put in place stringent operation procedures for staff to follow in their procurement operations to the on-site management of hypermarkets. The Group believes that responsibilities create value, and responsible enterprise behaviour is crucial to the realization of strategic objectives, including enhancing innovation capability, staff quality and enterprise reputation.

Employees are the Most Precious Asset of the Enterprise

Retail industry is a labor intensive industry. From our retail outlets, logistic distribution center to our negotiation with suppliers, our close to 50 thousand employees are the ones providing services and merchandise for our customers on behalf of Lianhua. While creating a harmony inside the enterprise and taking care of employees, the Group believes that in our Company, the individuals are able to strengthen their abilities along with our growth. While we achieve a better result, our employees can also develop their careers, which are the greatest rewards with their diligence at work. In 2008, the Group held "Abilities Contest" for several times in order to cultivate an atmosphere for enhancing individuals' abilities, taking take of each other and taking initiatives in various business segments and departments. Furthermore, the Group's professional training team set up a training scheme, by which the employees could receive trainings and gain knowledge in different aspects including professional skills, psychology, work discipline, body health etc.

Business of Associated Companies

During the year under review, Shanghai Carhua Supermarket Company Limited ("Shanghai Carhua") opened 7 new hypermarkets. As at 31 December 2008, Shanghai Carhua operated a total of 19 hypermarkets in Shanghai.

For the twelve months ended 31 December 2008, the Group's share of results of associates was approximately RMB149.48 million. The associates developed their businesses steadily.

Material Acquisitions and Disposals

For the year ended 31 December 2008, the Group did not have any material acquisitions and disposals.

Employment and Training

As at 31 December 2008, the Group had a total of 49,640 employees, representing an increase of 3,115 employees during the year under review. Total staff costs amounted to RMB1,526.05 million. Remuneration for the Group's employees was determined on the basis of their performance, experience and the then practice in the industry. Apart from basic salary, welfare allowances and performance bonus, the Group also provides its full-time employees with housing welfare, medical allowance and other subsidies and periodic medical check-up. The Group also contributes to the retirement benefit schemes organized by the government and makes monthly contributions for its employees to these schemes in accordance with the policies of the PRC.

In accordance with its operational performance, the Group further optimized the remuneration package for its employees and established the normal salary increment mechanism in line with market rate so as to share the Group's achievement on its development and operation with the employees. The Group increased staff salaries during the period under review.

While actively responding to market changes and maintaining positive growth of the results, the Group also focuses on the continuous optimization of its manpower resources system. The Group promotes the cultivation of talented personnel through the establishment of talents cultivation system, performance assessment management system, personnel training and development system, and salary and distribution incentive mechanism. During the period under review, in order to enhance the operational skills of the frontline employees, nationwide competitions for operational skills were held and an allowance incentive system was implemented for the skilled workers. In addition, a mentorship system was established primarily for skilled workers. During the period under review, as examined by the Shanghai Labour Protection Bureau (上海市勞動保障局), the Group obtained the certification for qualifying occupational skills of skilful staff, which helped the Group to nurture skilful staff. During the period under review, the Group optimized the training to full-time and part-time trainers, with an aim to further facilitate and enhance the quality of staff training. During the period under review, the position capacity quality model of shop managers for the hypermarket segment, managers and management trainees of headquarters was formulated during the first quarter, which was then applied to the recruitment, training and assessment of the relevant positions. During the period under review, the Group has established talents cultivation and retaining funds as well as the Provisional Regulation on Human Resources Development and Cultivation and Retaining of Talents. It also strengthened the efforts in cultivating and retaining talents to respond to market competitions and meet the demands for talents arising from the development of the Group.

Strategy and Plan

It is possible that the economy in 2009 is going to be worse. The recovery of customers' confidence relies on the stability of economic development and the maturity of the social insurance scheme. Despite the external pressure of uncertainty, the Group will remain confident and adopt positive attitude to face any challenges and fulfill the consumers' needs. We will put more effort to improve our profitability, optimize the internal management and enhance control of risk in the hope of seizing any opportunities in the crisis with an aim of maintaining the consistent growth of our results as well as improving performance.

The Group will further implement its sound strategy of development by keeping an eye on the market and seizing any opportunity for growth. In line with our "Strong Outlet" strategy, we will focus on the enhancement of operating capability, and speed up the application and promotion of category management technology. The ability to source goods will be strengthened according to our merchandise mix determined by commercial characteristics. Also, we will promote and improve the automatic stock replenishment technology in order to develop a smooth merchandise turnaround system so that the satisfaction of merchandise supply and the composition of inventory can be improved. The Group will pay more attention to the change of consumers' consumption trend and accordingly adjust the merchandise structure from time to time in order to provide a better service for our customers during economic crisis. The Group will focus on the fresh produce business through procurement at places of origin, strategic co-operation with suppliers, market sourcing and merchandising tender. The Group will also strive to reduce our purchasing cost and develop a supply chain of fresh products to ensure stable supply and consistent quality. Moreover, we will make a budget and strictly carry it out, with which we will control all the expenditure reasonably, sustain a sufficient cash flow, optimize the model of asset management as well as save energy. We will speed up the establishment of logistics and information system, and focus on upgrading the support system of supply chain. With building up a pool of talents in mind, the Group will focus on the enhancement of labour's productivities.

Purchase, Sale or Redemption of Shares

From 27 June 2003, being the date of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Final Dividend

The Board recommends payment of a final dividend of RMB0.15 per share (including tax) for the year ended 31 December 2008.

The register of H shares members of the Company will be closed from Monday, 27 April 2009 to Wednesday, 27 May 2009 (both days inclusive) during which period no transfer of H shares will be effected. The final dividend will be distributed to the shareholders of H shares of the Company whose names appear on the Company's register of members on Monday, 27 April 2009. In order to qualify for the final dividend, holders of H shares must lodge their share certificates together with the relevant share transfer documents with Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 24 April 2009.

The dividends to be distributed will be denominated and declared in Renminbi. Distribution to domestic shareholders of the Company will be made in Renminbi, while distribution to holders of unlisted foreign shares of the Company will be made in relevant foreign currencies and distribution to holders of H shares of the Company will be made in Hong Kong dollars. The dividends to be distributed in Hong Kong dollars will be converted into Hong Kong dollars at the average exchange rate of Renminbi to Hong Kong dollars announced by the People's Bank of China in the week prior to the dividend distribution date.

In accordance with the Law on Corporate Income Tax of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the H shares share register of members of the Company when distributing final dividends to them. Any H shares of the Company registered in the name of the non-individual registered shareholder, including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be treated as shares being held by a non-resident enterprise shareholder. As such, the corporate income tax shall be withheld from the dividend payable to such shareholders.

All investors should consider the preceding contents carefully. If any investor intends to change the identity of the holders in the shareholders register, please kindly enquire about the relevant procedures with your nominees or trustees. The Company has no responsibility and shall not be held responsible for confirming the identities of the shareholders. The Company will strictly comply with the law, and withhold and pay the corporate income tax on behalf of the relevant shareholders based on the H shares share register of members of the Company as at 27 April 2009. The Company will not accept any requests relating to any delay in confirming the identity of the shareholders or any errors in the identity of the shareholders.

Audit Committee

The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2008 and confirmed that they are prepared in accordance with the applicable accounting standards, laws and regulations and appropriate disclosures have been made.

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

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

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

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

Provision A4.2 of the Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The articles of association of the Company provides that each director shall be appointed at the general meeting of the Company for a term of not more than 3 years and is eligible for re-election. Having taken into account of 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 and thus deviating from the aforementioned provision of the Code.

By order of the Board
Lianhua Supermarket Holdings Co., Ltd.
Wang Zhi-gang
Chairman

Shanghai, 30 March 2009

As at the date of this announcement, the Directors of the Company are:

Executive Directors: Wang Zhi-gang, Liang Wei, Xu Ling-ling and Cai Lan-ying

Non-executive Directors: Lu Ming-fang, Yao Fang, Koichi Narita, Wong Tak Hung and Hua Guo-ping

Independent non-executive Directors: Lee Kwok Ming, Don, Zhang Hui-ming and Xia Da-wei