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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL HIGHLIGHTS

As at 30 June 2009, the Group's:

- turnover amounted to approximately RMB10,976 million, representing an increase of 2.21% as compared to the corresponding period of last year. The gross profit and the gross profit margin amounted to approximately RMB1,432 million and 13.05%, respectively. The consolidated gross profit margin increased steadily by 0.35 percentage point to 19.7%.

- consolidated revenue (note) amounted to RMB2,586 million with the consolidated revenue margin reached 23.56%, increased by 1.08 percentage points.

- operating profit reached RMB318 million, representing an increase of 25.78% as compared to the corresponding period of last year. Profit before taxation amounted to RMB380 million, representing an increase of 19.77% as compared to the corresponding period of last year.

- profit after taxation amounted to RMB292 million, representing an increase of approximately 11.62% as compared to the corresponding period of last year. Among which the profit attributable to shareholders of the Company was approximately RMB250 million, representing an increase of 10.02% as compared to the corresponding period of last year. Basic earnings per share was RMB0.40.

- 260 new outlets were opened during the period and the total number of outlets reached 3,932, of which hypermarket business accounted for 126, supermarket business accounted for 1,780, convenience stores accounted for 2,026. The total franchised outlets reached 2,351, representing 60% of the Group's total outlets.

- interim dividend per share is RMB0.12 (including tax), representing an increase of 20% as compared to the corresponding period of last year.

Note: Consolidated revenues = Gross profit + Other revenues + Other income

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2009

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2009

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

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

Notes:

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2009

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

4. TURNOVER AND OTHER REVENUES

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

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

5. OTHER INCOME

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

6. PROFIT BEFORE TAXATION

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

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

7. TAXATION

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

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

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

8. DIVIDEND

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

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

At a meeting held on 9 April 2009, the Directors proposed a final dividend of RMB0.15 per share for the year ended 31 December 2008, totaling RMB93,300,000 (at a meeting held on 16 April 2008, the Directors proposed a final dividend of RMB0.12 per share for the year ended 31 December 2007, totaling RMB74,640,000), which was approved by the shareholders on 27 May 2009 and has been reflected as an appropriation of retained profits for the six months ended 30 June 2009. The amount has not yet been paid as at 30 June 2009.

9. EARNINGS PER SHARE

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

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

10. MAJOR CAPITAL EXPENDITURE

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

11. INVESTMENTS IN ASSOCIATES

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

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

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

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

12. PREPAID LEASE PAYMENTS

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

13. TRADE RECEIVABLES

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

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

14. AMOUNTS DUE FROM/TO ASSOCIATES

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

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Notes:

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

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

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

16. TERM DEPOSITS

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

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

17. TRADE PAYABLES

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

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

18. BANK BORROWINGS

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

19. OTHER PAYABLES AND ACCRUALS

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

20. COUPON LIABILITIES

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

21. AMOUNT DUE TO HOLDING COMPANY/AMOUNTS DUE TO OTHER RELATED PARTIES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

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

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

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

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

FINANCIAL REVIEW

Growth in turnover and consolidated revenues

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

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

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

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

Operating cost and net profit

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

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

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

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

Cash flow

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

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

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

Growth in retail business

Hypermarkets

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

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

Supermarkets

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

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

Convenience Stores

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

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

Analysis of financial results

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

Capital structure

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

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

Details of the Group's pledged assets

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

Exposure to foreign exchange risk

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

Share capital

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

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

Contingent liabilities

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

OPERATING REVIEW

Quality network development

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

The Group paid high attention to the quality of the new outlets, and made good preparation for it in spite of the economic doldrums. It conducted professional market surveys, identified the right market position, revised the design of display, and activated the operation of system in order to ensure the successful preparation for opening new outlets. Meanwhile, the Group strived to develop the new outlets in line with the latest competition pattern when operating them. For example, the Group managed new hypermarkets on the basis of independent outlet pricing. The prices for some merchandises being sold in specific market areas were even adjusted every day or every two day in order to avoid any late response after changes in price, and ensure sufficient customers for outlets.

The Group also established the "manpower support bases for new outlets". Certain well-developed outlets were selected as the training bases to ensure enough manpower supply. In the initial stage of new outlets, the Group identified its targeted consumer groups and built up the brand and image with its members as main sales targets. Century Mart's first outlet in Ningbo City market achieved remarkable results by realizing a sales amount of over RMB4.40 million just on the opening day and attracting more than 51% of the members.

During the period under review, supermarkets and convenience stores steadily developed to become directly operated outlets, which had been changed from other operations, in middle-end and high-end residential areas and commercial areas. In the countryside and modern rural areas, the measures of franchising and further individualized promotion were additionally used. Franchised outlets of supermarkets and convenience stores represented 71% and 54% of the total outlets, respectively.

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

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

Expanding procurement channels

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

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

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

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

Enhancement of management capability

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

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

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

Deepening outlet transformation

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

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

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

Innovative marketing model

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

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

IT system integration

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

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

Internal control management

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

Preparation for the World Expo

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

Employment, training and development

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

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

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

Strategy and planning

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

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

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

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

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

Purchase, sales and redemption of shares

Since the listing of the Company's shares on 27 June 2003 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the date of this announcement, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

Interim dividend

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

The register of H shares members of the Company will be closed from 21 September 2009 to 25 September 2009 (both days inclusive) during which period no transfer of H shares will be effected. The interim dividend will be distributed to the shareholders of H shares of the Company whose names appear on the Company's register of members on 21 September 2009. In order to qualify for the interim dividend, holders of shares must lodge the relevant share transfer documents together with their share certificates with the share registrar of the Company, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 18 September 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 on or before 23 October 2009. 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 declaration date, which is RMB100 to HKD113.4559. At such, the interim dividend per ordinary share denominated in HKD is HKD0.1361 (including tax).

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 interim 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 21 September 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 of the Company (the "Audit Committee") has considered and reviewed the accounting principles and practices adopted by the Group and has discussed the matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed interim accounts for 2009 of the Company. The Audit Committee considered that the interim accounts for the six months ended 30 June 2009 is in compliance with the relevant accounting standards, the requirements of the Stock Exchange and the Laws of Hong Kong, and the Company has made appropriate disclosures thereof.

Compliance with the Model Code

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

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

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

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

By order of the Board
Lianhua Supermarket Holdings Co., Ltd.
Ma Xin-sheng
Chairman

Shanghai, 26 August 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: Ma Xin-sheng, Xu Bo, Koichi Narita, Wong Tak Hung and Hua Guo-ping

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