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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

As at 31 December 2015, the Group recorded the following:

- Turnover was approximately RMB27,223 million, representing a decrease of approximately 6.6% over 2014. The same store sales of the Group decreased by approximately 6.48% over 2014, in which the hypermarket segment decreased by approximately 8.50%, the supermarket segment decreased by approximately 4.24% and the convenience store segment grew by approximately 5.29%.

- Gross profit was approximately RMB4,022 million, representing a decrease of 5.2% over 2014. Gross profit margin was approximately 14.77%, recording an increase of 0.22ppt.

- Distribution expenses and administrative expenses totalled RMB6,784 million. Overall cost ratio was approximately 24.92%, recording an increase of 1.38ppt.

- Consolidated income amounted to RMB6,668 million, representing a decrease of approximately 6.5% over 2014. Consolidated income margin reached 24.50%, increasing by 0.04ppt over 2014.

- Operating loss amounted to approximately RMB149 million, representing a shift from profit to loss. Annual loss attributable to shareholders of the Company amounted to approximately RMB497 million. Basic loss per share amounted to RMB0.44.

- The total number of outlets reached 3,883. During the period under review, the Group opened 204 new outlets, including 5 hypermarkets, 123 supermarkets (including 11 directly-operated stores and 112 franchised stores), and 76 convenience stores (including 23 directly-operated stores and 53 franchised stores).

Note 1: Consolidated income = Gross profit + Other revenues + Other income

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

Note 3: Operating (loss) profit = Profit (loss) before tax – Share of profits of associates

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	**2015**	2014
		RMB'000	*RMB'000*
Turnover	*2&3*	**27,222,699**	29,152,454
Cost of sales		**(23,201,134)**	(24,911,309)
Gross profit		**4,021,565**	4,241,145
Other revenue	*2&3*	**2,089,271**	2,217,525
Other income and gains	*4*	**557,533**	671,086
Selling and distribution expenses		**(6,039,758)**	(6,100,913)
Administrative expenses		**(744,467)**	(761,333)
Other operating expenses		**(32,835)**	(25,551)
Share of profits of associates		**2,853**	58,113
Finance costs		**(140)**	(143)
(Loss) profit before tax	*5*	**(145,978)**	299,929
Income tax expenses	*6*	**(254,219)**	(179,040)
(Loss) profit for the year		**(400,197)**	120,889
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		**4,047**	–
Fair value gain on available-for-sale financial assets		**7,672**	–
Income tax relating to items that may be reclassified subsequently		**(1,918)**	–
Other comprehensive income for the year, net of income tax		**9,801**	–
Total comprehensive (expense) income for the year		**(390,396)**	120,889
(Loss) profit for the year attribute to:			
Owners of the Company		**(496,991)**	31,033
Non-controlling interests		**96,794**	89,856
		(400,197)	120,889
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(487,190)**	31,033
Non-controlling interests		**96,794**	89,856
		(390,396)	120,889
(Losses) earnings per share – basic and diluted	*7*	**RMB(0.44)**	RMB0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	**31/12/2015** ***RMB'000***	31/12/2014 *RMB'000*
Non-current assets			
Property, plant and equipment		**2,691,762**	2,924,276
Construction in progress		**773,418**	443,667
Land use rights		**335,580**	341,812
Intangible assets		**200,294**	196,469
Interests in associates		**535,636**	557,084
Available-for-sale financial assets		**76,007**	36,570
Term deposits			
– restricted		**783,000**	266,000
– unrestricted		**2,010,851**	2,095,000
Prepaid rental		**50,152**	82,895
Deferred tax assets		**66,614**	215,749
Other non-current assets		**17,210**	18,668
		7,540,524	7,178,190
Current assets			
Inventories		**2,836,825**	2,676,400
Trade receivables	*8*	**87,085**	101,372
Deposits, prepayments and other receivables		**995,473**	1,076,927
Amounts due from fellow subsidiaries		**14,879**	12,888
Amounts due from associates		**173**	61
Available-for-sale financial assets		**7,000**	246,628
Financial assets at fair value through profit or loss		**538,782**	2,223
Term deposits			
– restricted		**606,000**	1,210,000
– unrestricted		**530,750**	778,400
Cash and cash equivalents		**4,447,365**	5,145,270
		10,064,332	11,250,169
Total assets		**17,604,856**	18,428,359

(Continued)

	NOTES	**31/12/2015** *RMB'000*	31/12/2014 *RMB'000*
Capital and reserves			
Share capital		**1,119,600**	1,119,600
Reserves		**1,795,571**	2,282,761
Equity attributable to owners of the Company		**2,915,171**	3,402,361
Non-controlling interests		**283,915**	272,025
Total equity		**3,199,086**	3,674,386
Non-current liability			
Deferred tax liabilities		**96,971**	98,657
Current liabilities			
Trade payables	*9*	**3,804,069**	3,713,440
Other payables and accruals		**2,335,085**	2,007,891
Coupon liabilities		**7,996,463**	8,726,487
Deferred income		**26,400**	23,284
Amounts due to fellow subsidiaries		**37,259**	48,193
Amounts due to associates		**3,040**	5,515
Amounts due to other related parties		**5,082**	–
Bank borrowings		**2,000**	2,000
Tax payable		**99,401**	128,506
		14,308,799	14,655,316
Total liabilities		**14,405,770**	14,753,973
Total equity and liabilities		**17,604,856**	18,428,359
Net current liabilities		**(4,244,467)**	(3,405,147)
Total assets less current liabilities		**3,296,057**	3,773,043

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. PRINCIPAL ACTIVITIES

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

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

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

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

2. TURNOVER AND OTHER REVENUE

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

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

3. SEGMENT INFORMATION

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

The reportable operating segments of the Group are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

Other segment information

2015

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

2014

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

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

Geographical information

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

Information about major customers

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

4. OTHER INCOME AND GAINS

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

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

5. (LOSS) PROFIT BEFORE TAXATION

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

6. INCOME TAX EXPENSE

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

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

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

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

7. (LOSSES) EARNINGS PER SHARE

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

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

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

8. TRADE RECEIVABLES

The aging analysis of the trade receivables net of allowance for doubtful debts at the end of the reporting period, arising principally from sales of merchandise to franchised stores and wholesalers with credit terms ranging from 30 to 60 days (2014:30 to 60 days), is as follows:

The Group

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 30 days	**69,751**	94,930
31-60 days	**258**	5,649
61-90 days	**11**	39
91 days – one year	**17,065**	754
	87,085	101,372

The trade debtors are mainly major retailer chains and well established banks, with good credit standing. The management considered the credit quality of the trade receivables that are neither past due nor impairment were good and there was no default from those debtors in historical record.

Aging of trade receivables which are past due but not impaired:

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
61-90 days	**11**	39
91 days – one year	**17,065**	754
	17,076	793

Movement in allowance for doubtful debts is as follows:

	2015	2014
	RMB'000	*RMB'000*
1 January	**4,774**	1,691
Impairment losses recognised	**–**	3,083
Amounts reversed during the year	**(559)**	–
Amounts written-off during the year	**(313)**	–
31 December	**3,902**	4,774

The carrying amounts of trade receivables of the Group approximate their fair value.

9. TRADE PAYABLES

The aging analysis of trade payables at the end of the reporting period, arising mainly from purchase of merchandise with credit terms ranging from 30 to 60 days (2014: 30 to 60 days), is as follows:

The Group

	31/12/2015	31/12/2014
	RMB'000	*RMB'000*
Within 30 days	**1,924,636**	1,963,490
31-60 days	**680,459**	809,341
61-90 days	**327,625**	231,245
91 days – one year	**871,349**	709,364
	3,804,069	3,713,440

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

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

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

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

The slowdown in economic growth and the changes in consumer structure and shopping habits have adversely affected brick-and-mortar retail enterprises, resulting in a decrease in customer traffic and stagnant sales. According to the statistics announced by the Chinese Ministry of Commerce, the annual sales volume of major retail enterprises monitored by the Ministry of Commerce increased by 4.5% in 2015 year over year. Such growth rate is not only slower than that of the total retail sales of consumer goods in the same period but also 1.8 percentage points lower than that of 2014.

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

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

Financial Review

Turnover and consolidated income

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

During the period under review, affected by the year-on-year drop of its turnover, the Group's gross profit amounted to approximately RMB4,022 million, dropping by approximately 5.2% year over year. However, the gross margin rose 0.22 percentage point to 14.77% and thus the decline of gross profit was eased to a certain extent. The persistently rising gross margin mainly benefited from the structural adjustment of product offerings and the reduced purchasing cost of the Group. During the period under review, the Group gradually adopted the policy of a "disintermediation" for its procurement system, and further minimized intermediary procurement links especially in the second half of the year, while reinforcing direct sourcing including field procurement, base procurement, boosting the connection between farms and supermarkets, and fostering close cooperation with original equipment manufacturers (OEM), so as to increase the proportion of direct procurement of products, and reduce procurement cost of products while utilizing multi-sources and multi-channels.

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

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

Operating cost and net profit

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

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

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

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

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

Cash flow

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

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

During the period under review, the Group did not use any financial instruments for hedging purposes and did not issue any hedging instruments as at 31 December 2015.

Retail businesses operation

Hypermarkets

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

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

Supermarkets

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

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

Convenience Stores

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

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

Financial results analysis

	Year ended 31 December *RMB million*		**Year-on-Year change**
	2015	2014	(%)
Turnover	**27,223**	29,152	-6.6
Gross profit	**4,022**	4,241	-5.2
Consolidated income	**6,668**	7,130	-6.5
Operating (loss) profit	**(149)**	242	-161.6
Taxation	**254**	179	41.9
(Loss) profit attributable to shareholders of the Company for the period	**(497)**	31	-1,703.2
Basic (loss) earnings per share *(RMB)*	**(0.44)**	0.03	-1,703.2
Interim dividend per share *(RMB)*	**N/A**	N/A	N/A

Capital structure

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

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

Details of the Group's pledged assets

As of 31 December 2015, the Group did not pledge any assets.

Exposure to foreign exchange risk

Most of the income and expenditures of the Group are denominated in Renminbi. During the period under review, the Group did not experience any material difficulties or negative effects on its operations or liquidity as a result of fluctuation in currency exchange rates. The Group neither entered into any agreements nor purchased financial instruments to hedge its foreign exchange risk. The Directors believe that the Group is able to meet its foreign exchange requirements.

Share capital

As of 31 December 2015, the issued share capital of the Company was as follows:

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

Contingent liabilities

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

Operating Review

Outlet Development

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

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

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

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

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

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

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

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

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

Focus on reform

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

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

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

Promote transformation

During the period under review, the Group's hypermarkets conducted benchmarking comparison to other advanced enterprises in the industry. Through observing and utilizing their operating techniques for dealing with fresh produce, the Group's hypermarkets reformatted their operational flow, revamped their management system for the display of products, improved loss management, stocktaking of products, inventory management and pricing methods for the fresh produce. Particularly for vegetables, fruit, aquatic products and meat, all of the measures not only enriched the commodity mix but also remarkably improved the appearance of products as well as the shopping experience for customers. Moreover, the sales of fresh produce and the proportion of fresh produce offered by the Group were both increased, which increased recognition and inflow of the customers.

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

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

Identify growth areas

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

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

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

Create benefits

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

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

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

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

Employment, training and development

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

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

During the period under review, the Group endeavored to upgrade the quality of its internal training, strengthened the examination and approval of training projects, and placed emphasis on the analysis of training requirements and finding solutions to various types of business issues. The Group sought internal and external training resources, organized professional training courses, continued to launch school-enterprise cooperation projects, and continuously provided support to the business department in terms of training resources and enhanced the training outcome by enriching training resources and adjusting training models. The Group also trained skilled operational staff based on member enterprises' need by improving the managing and operating capability of first-tier stores and organizing training for core staff. Meanwhile, emphasis was placed on building up an internal team of lecturers and the enhancement of the skills of personnel in first-tier stores, which expedited the cultivation and output of talents with various types of skills through rank appraisal, skill competitions and so on.

Strategy and Planning

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

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

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

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

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

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

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

In 2016, the Group will enhance its operations with emphasis on two aspects. First, the Group is committed to the upgrade and reform of its existing stores. Based on the principle of "Precise positioning, in pursuit of floor efficiency and strengthen community services", the Group will upgrade and reform certain hypermarkets and directly-operated supermarkets. Hypermarkets shall focus on adjustments of lease space, layout, product offerings and staff allocation while supermarkets shall attach importance to adjustments of product offerings, equipment and staff. The Group will also increase the potential of existing stores by improving the shopping environment, diversifying services and optimizing structure so as to achieve enhancement in overall operational performance. Secondly, the Group is committed to promoting the service level of its stores, regularize the service behavior of stores according to the standards of "5S & 5Q", strengthen the inspection of store operation, and further emphasize service etiquette training for store personnel to provide customers with a pleasant shopping experience so as to build up a positive brand image.

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

In 2016, the Group will proactively cooperate with Yonghui Superstores, its substantial shareholder, to make use of their strong supply chain of fresh produce in order to expand the source procurement of the Group's own fresh produce, enrich product lines, and lower the cost of procurement. Simultaneously, the Group will build up a joint procurement platform together with Yonghui Superstores and Wuhan Zhongbai, which will allow for an in-depth cooperation in terms of private label brands, industrial products, imported products and brand suppliers resources, so as to fully utilize the advantage of a physical supply network and achieve scale efficiency.

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

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

In 2016, the Group will proactively recruit and foster new talents, focusing on the creation of a young, professional and enhanced team of talented individuals, alongside on-going improvements of the capabilities of the operation team on various levels through horizon training, skill training and quality cultivation. The Group will also emphasize innovative thinking, new approaches, and a vision adapted for the current consumption trend oriented toward the younger generation.

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

Purchase, Sale or Redemption of Shares

From 27 June 2003, 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 of directors (the "Board") of the Company recommends not to distribute final dividend for the year ended 31 December 2015.

Audit Committee

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2015 and confirmed that they are prepared in accordance with the applicable accounting standards, laws and regulations and appropriate disclosures have been made.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this announcement.

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

The Company has adopted the Model Code for Securities Transactions by directors ("Model Code") as set out in Appendix 10 to the Listing Rules as code of conduct for securities transactions by all directors of the Company. After specific enquiries to all Directors, the Board is pleased to confirm that all of the Directors have fully complied with the provisions under the Model Code the financial year ended 31 December 2015.

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 for the matters as set out below, the Company has complied with all the code provisions in the "Corporate Governance Code" (the "Code") under Appendix 14 of the Listing Rules during the financial year ended 31 December 2015. Apart from the following deviation, none of the directors is aware of any information that would reasonably indicate that the Company is not or was not for any time of the period under review in compliance with the Code. Details of the deviation are set out as follows:

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

For Provision A.6.7 of the Code：

Mr. Wong Tak Hung, a non-executive Director, Mr. Lee Kwok Ming, Don, an independent non-executive Director and Ms Wu Jie-qing, a non-executive Director at that time, were unable to attend the 4th meeting of the fifth session of the Board convened on 27 March 2015 by the Company due to their other work engagements.

Ms Qi Yue-hong, an executive Director, Mr. Wong Tak Hung, a non-executive Director, and Mr. Li Guo-ding, a non-executive Director at that time was unable to attend the 5th meeting of the fifth session of the Board convened on 22 May 2015 by the Company due to their other work engagements.

Mr. Zhou Zhong-qi, an executive Director at that time, and Mr. Li Guo-ding, a non-executive Director at that time were unable to attend the 6th meeting of the fifth session of the Board convened on 24 June 2015 by the Company due to their other work engagements.

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

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

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

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

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

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

Moreover, the Company has provided the relevant materials and all necessary information relating to the extraordinary general meeting of the Company(the "EGM") to all members of the Board before the EGM. All ordinary resolutions and special resolutions considered at the EGM were passed smoothly. The Company had sent the related minutes of the EGM to all members of the Board after the EGM so that any Directors who were unable to attend the meeting was able to understand the resolutions passed at the meeting.

For Provisions A.6.7 and E.1.2 of the Code, Mr. Zhou Zhong-qi, an executive Director at that time, and Mr. Li Guo-ding, a non-executive Director at that time, were unable to attend the 2014 annual general meeting of the Company (the "AGM") convened on 24 June 2015 due to their other work engagements. The Company has provided the relevant materials relating to the 2014 annual general meeting to all members of the Board before the AGM. All ordinary resolutions and special resolutions were passed smoothly at the AGM. The Company had sent the related minutes to all members of the Board after the AGM so any Director who was unable to attend the AGM was able to understand the resolutions passed at the AGM.

Publication of Annual Report

The annual report of the Company will be despatched to the shareholders as well as published on the website of the Stock Exchange of Hong Kong Limited and the Company respectively in due course.

By order of the Board
Lianhua Supermarket Holdings Co., Ltd.
Ye Yong-ming
Chairman

Shanghai, PRC, 30 March 2016

As at the date of this announcement, the Board comprises:

Executive directors: Qi Yue-hong;

Non-executive directors: Ye Yong-ming, Zhang Xuan-song, Qian Jian-qiang, Zheng Xiao-yun, Zhang Jing-yi and Wong Tak Hung;

Independent non-executive directors: Xia Da-wei, Lee Kwok Ming, Don, Gu Guo-jian and Wang Jin.