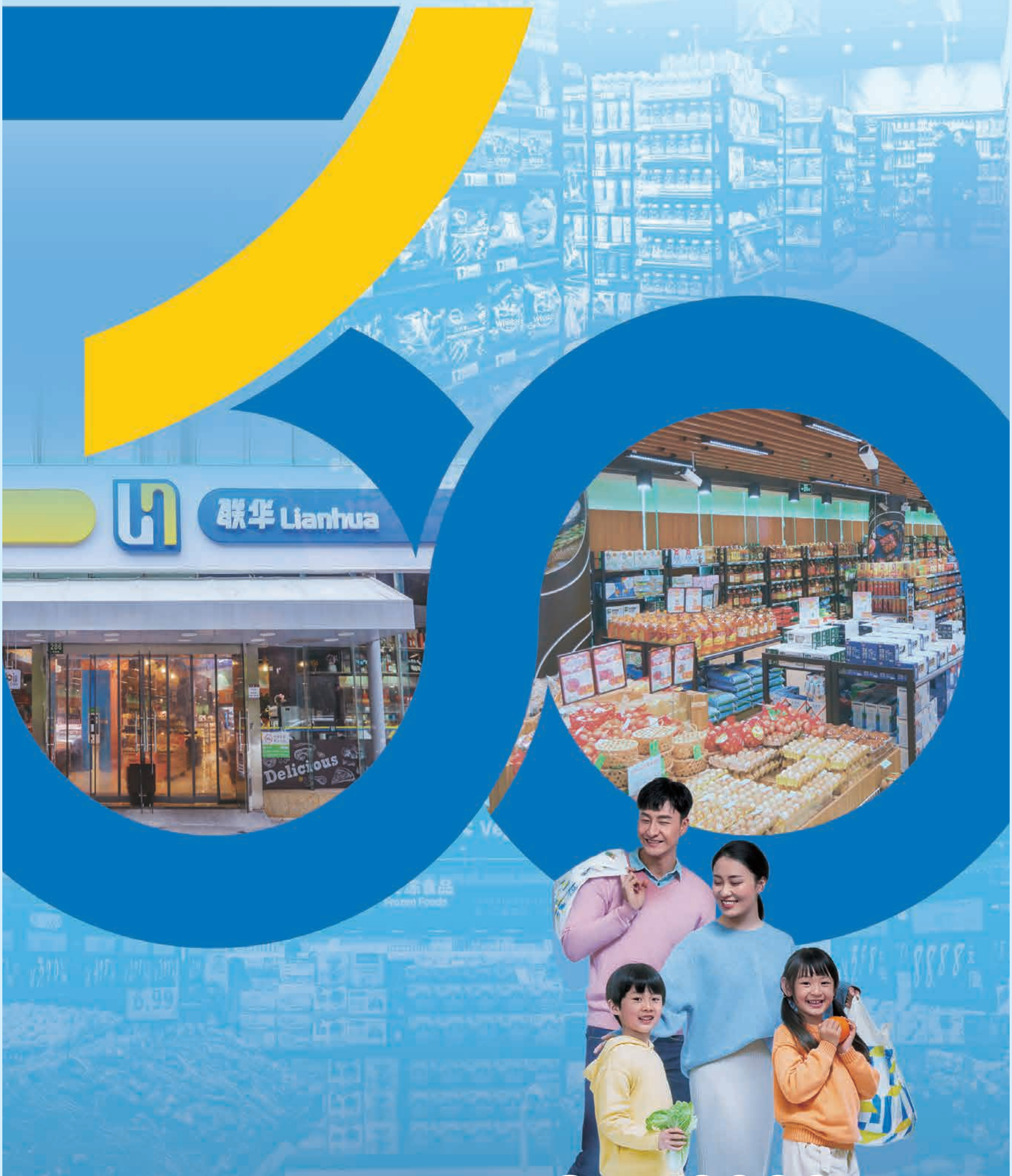
联华超市股份有限公司
LIANHUA SUPERMARKET HOLDINGS CO.,LTD.



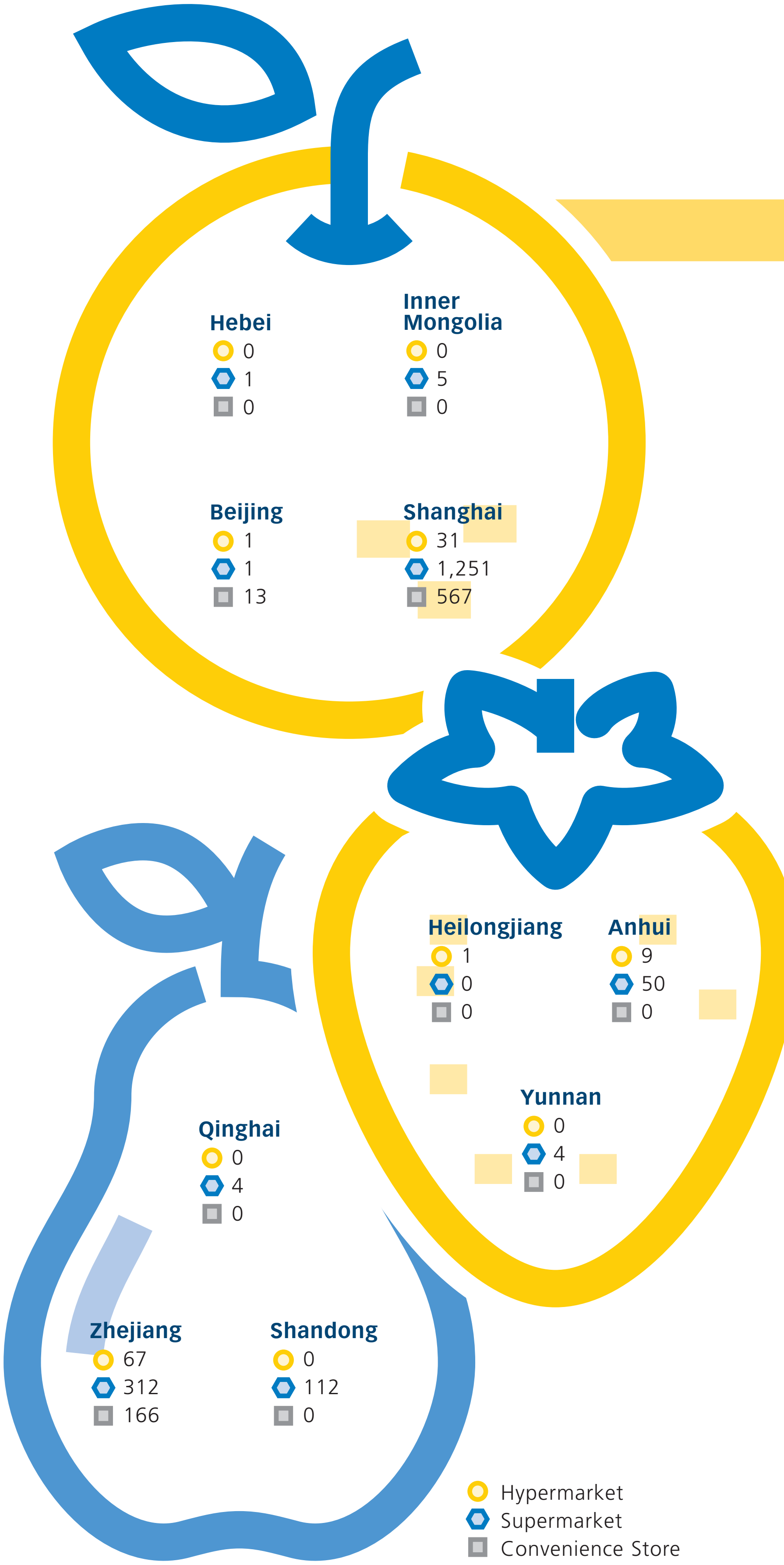
ANNUAL REPORT 2020

STOCK CODE: 0980

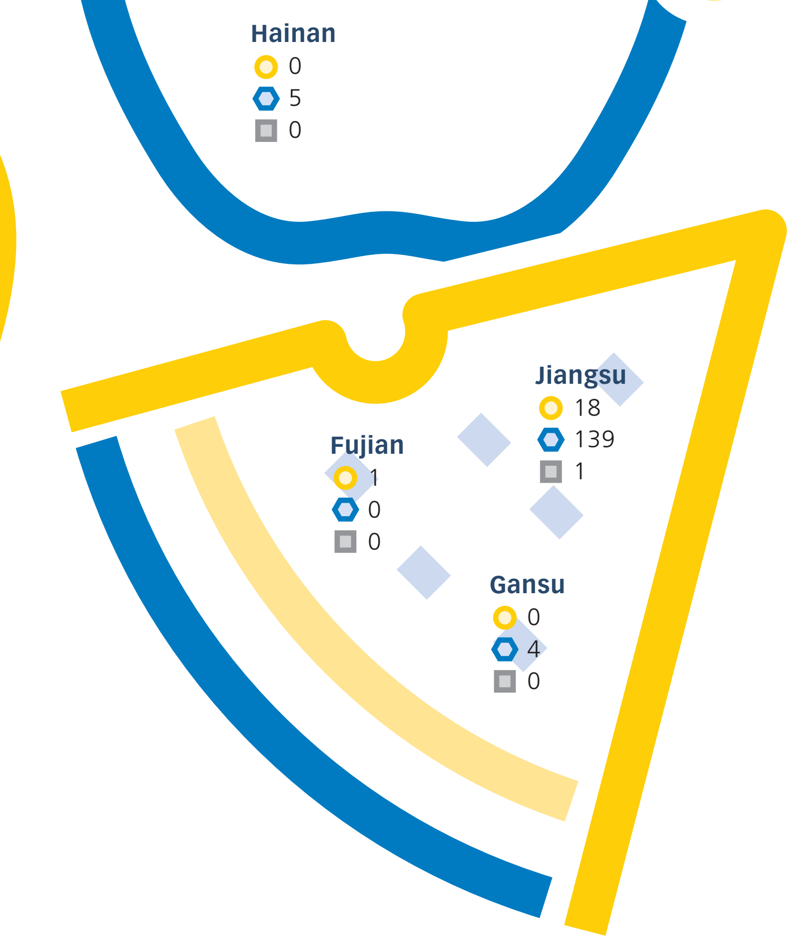
Lianhua Supermarket Holdings Co. , Ltd.

("Lianhua Supermarket" or the "Company") commenced its business in Shanghai in 1991. In the past 29 years, it has developed into a nationwide retail chain operator with a full range of retail segments, expanding through a combination of direct operation, franchises and merger and acquisitions. As at 31 December 2020, Lianhua Supermarket and its subsidiaries (the "Group") operated a total of 3,192 outlets (excluding those operated by the Company's associated companies) in 20 provinces and municipalities across the nation. The Company has maintained its leading position in the fast moving consumer goods retail industry in the People's Republic of China (the "PRC"). Lianhua Supermarket was the first Chinese retail chain operator to be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2003.

The Group operates in three main retail segments – hypermarkets, supermarkets and convenience stores, catering for the diverse needs of consumers. These three segments expand under the brand names of "Century Mart", "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik", respectively. In recent years, "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik" have been awarded as one of the China Outstanding Franchise Brands（「中國優秀特許品牌」）by the Franchise Committee of China Chain Store & Franchise Association.



Lianhua Supermarket
operated a total of
3,192 outlets



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Corporate Information

Directors

Executive Director

Mr. Xu Tao

Non-executive Directors

Mr. Ye Yong-ming *(Chairman)*
Ms. Xu Zi-ying *(Vice Chairman)*
Mr. Xu Hong
Mr. Qian Jian-qiang (Retired on 22 June 2020)
Ms. Zhang Shen-yu
Ms. Zheng Xiao-yun (Retired on 22 June 2020)
Mr. Dong Xiao-chun
Mr. Wong Tak Hung

Independent Non-executive Directors

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

Board Committees

Audit Committee

Mr. Lee Kwok Ming, Don *(Chairman)*
Mr. Xia Da-wei
Mr. Zhao Xin-sheng
Ms. Zheng Xiao-yun (Retired on 22 June 2020)
Mr. Dong Xiao-chun

Remuneration and Appraisal Committee

Mr. Xia Da-wei *(Chairman)*
Ms. Xu Zi-ying
Mr. Chen Wei
Mr. Zhao Xin-sheng

Strategic Committee

Mr. Ye Yong-ming *(Chairman)*
Ms. Xu Zi-ying
Mr. Xu Hong
Mr. Xu Tao
Mr. Qian Jian-qiang (Retired on 22 June 2020)
Ms. Zhang Shen-yu

Nomination Committee

Mr. Ye Yong-ming *(Chairman)*
Mr. Chen Wei
Mr. Xia Da-wei
Mr. Zhao Xin-sheng

Supervisors

Mr. Yang A-guo *(Chairman)*
Ms. Tao Qing (Retired on 22 June 2020)
Mr. Li Feng
Ms. Tang Hao

Joint Company Secretaries

Ms. Hu Li-ping (Retired on 2 July 2020)
Ms. Xu Xiao-yi
Ms. Leung Shui Bing

Authorised Representatives

Mr. Xu Tao
Ms. Hu Li-ping (Retired on 10 June 2020)
Ms. Xu Xiao-yi

International Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Legal Advisers to the Company

As to Hong Kong laws

Baker & McKenzie

As to PRC laws

Grandall Law Firm (Shanghai)

Investors and Media Relations Consultant

Christensen China Limited

Principal Bankers

Industrial and Commercial Bank of China
Pudong Development Bank
China Merchants Bank

Registered and Business Office

Registered Office in the PRC

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

Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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lianhua.todayir.com

Shareholder's Enquiries

Contact Information of the Company

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Fax: 86 (21) 5279 7976

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Information

Listing Place

The Stock Exchange of Hong Kong Limited

Listing Date

27 June 2003

Stock Code

980

Number of H shares Issued

372,600,000 H shares

Year-end Date

31 December

Results Announcements

Interim Results for 2020 were published on
28 August 2020
Annual Results for 2020 were published on
29 March 2021

Dividends

Interim Dividends: Nil
Proposed Final Dividends: Nil

Major Achievements

January

Century Lianhua Suzhou Lianfeng store operated by Lianhua Supermarket (Jiangsu) Co., Ltd ("Lianhua Jiangsu Company") was awarded as the "2019 Suzhou Industrial Park Labor Security Credit Grade A Unit" (「2019年度蘇州工業園區勞動保障信用A級單位」) by the Suzhou Industrial Park Labor Security Administration Department.

Zhubai store in Shanghai Lingang New Area operated by Shanghai Lianhua Supermarket Development Co., Ltd ("Lianhua Supermarket Development") commenced business on 18 January 2020, marking the first commercial layout project after the implementation of the strategic cooperation between the Administrative Committee of Lingang New Area of China (Shanghai) Pilot Free Trade Zone and Bailian Group Co., Ltd. ("Bailian Group") and its debut in Lingang New Area.

Luban store operated by Shanghai Century Lianhua Supermarket Development Co., Ltd. ("Century Lianhua") was awarded a certificate of appreciation by Shanghai Huangpu District Business Committee for the outstanding contribution made by Century Lianhua Luban store in the work of creating a national civilized city in the commercial system of Huangpu District in 2019, regulating the construction of window services and showing the new style of civilization in the industry.

February

Wuhu Zhongshan store operated by Anhui Century Lianhua Development Co., Ltd. ("Lianhua Anhui Company") was the first supermarket in Wuhu to be the "Government outlets for epidemic supplies" (「政府疫情物資售賣點」) during the epidemic, supplying about 10,000 bottles of medical alcohol (topical disinfectant) at a discount price.

Hangzhou Lianhua Huashang Group Co., Ltd. ("Lianhua Huashang")'s deeds in fighting the epidemic and ensuring supply were reported in the special program of CCTV News "Fight the Epidemic Together" (「共同戰「疫」」), which was watched by more than 80 million viewers online. During the epidemic period, 154 mainstream media outlets publicized Lianhua Huashang, with more than 4,000 articles in the paper media and more than 700 TV reports.

Lianhua Whale-Choice of Lianhua Huashang opened a new shopping model of "community to home" (「社群到家」) to supply fresh vegetables to community residents, realizing online order and offline zero-contact delivery. The whale selection service station entered the community and took the lead in Linping Yu Ting community.

March

Wang Jing-jing, the fresh food director of Lianfeng store operated by Lianhua Jiangsu Company, was awarded the title of "2019 Shanghai State-owned Assets Supervision and Administration Commission (SASAC) System Young Technician" (「2019年度上海市國資委系統青年技術能手」) for outstanding performance in the "Youth State-owned Enterprises" (「青春國企」) merit competition of Shanghai SASAC System.

April

Lianhua Huashang was awarded the title of "Demonstration Point of Market Operation Data Monitoring in Zhejiang Province" (「浙江省市場運行數據監測示範點」) issued by the Department of Commerce of Zhejiang Province.

May

Lianhua Anhui Company actively participated in the "precise poverty alleviation" (「精准扶貧」) campaign called by the local street community, and twinned with the government of Luyang District, Hefei City, Anhui Province, to donate money to poor students in Yingshang County, Anhui Province.

Hefei Yuanyi Binshui City store operated by Lianhua Anhui Company was awarded as "Model Unit of Reliable Consumption" (「放心消費示範單位」) by Consumers Council of Luyang District, Hefei City.

Lianhua Anhui Company Implemented the "donate money for schooling" (「捐資助學」), and together with the community streets, helped Huangbai Village, Niufu Town, Wuwei City to fight against poverty and care for school-age children in poor areas.

Xianxia store of Century Lianhua was awarded the title of "2019 Women's Civilized Position" (「2019年巾幗文明崗」) by Shanghai Women's Federation and Shanghai Federation of Trade Unions.

June

Xinghua store operated by Lianhua Anhui Company was evaluated as a "Model Unit of Reliable Consumption" in Luyang District by the Consumers Interest Protection Committee of Luyang District, Hefei City.

Lianhua Huashang was awarded the title of "Enterprise with Outstanding Contribution to the Market Supply of Zhejiang Province for the Prevention and Control of New Coronavirus Epidemic" by the Department of Commerce of Zhejiang Province.

Lianhua Huashang was awarded the certificate of "Fight the epidemic with one heart, provide assistance in Zhejiang, love and help farmers, and make outstanding contributions" (「同心抗疫、浙裡有援、愛心助農、貢獻突出」) by Zhejiang Agricultural Products Circulation Industry Association.

July

Wanhang store and Wuxi store of Lianhua Supermarket Development have completed the launch of digital systems. As of the end of 2020, Lianhua Supermarket Development has completed the online operation of 55 stores, marking the beginning of Lianhua Supermarket Development's digital era.

Lianhua Huashang was awarded the title of "Hangzhou City-level Operating Company of Zhejiang-Xinjiang '100 Stores in 10 Cities' Project" (「浙江新疆「十城百店」工程杭州市級運營公司」) issued by People's Government of Aksu and Hangzhou Aid Headquarters for Xinjiang.

August

The Nanrui store operated by Lianhua Anhui Company was awarded the title of "Level A Rating for Labor Security Integrity" (「勞動保障誠信等級評價A級」 by the Bureau of Human Resources and Social Security of Yijiang district, Wuhu City Anhui province.

Century Lianhua Luodian store was awarded the title of "2020 Shanghai Harmonious Labor Relations Standard Enterprise" issued by the Bureau of Human Resources and Social Security of Shanghai.

"Lianhua Whale-Choice Delivery-to-Home Model" (聯華鯨選解鎖社群到家模式) was awarded as an event for the year of 2020 Brand Hangzhou • General Review of Living Quality (品牌杭州 • 生活品質總點評活動) at the exchange conference of "Building Important Windows, Sharing Wonderful Life – 2020 Brand Hangzhou • General Review of Living Quality in Hangzhou" (共建重要窗口，共用美好生活——2020 品牌杭州 • 杭州生活品質總點評), jointly held by Hangzhou Municipal Committee (杭州市委), Publicity Department (宣傳部), Development and Reform Commission (發改委), Bureau of Economy and Information Technology (經信局), Hangzhou Newspaper Group (杭報集團), Hang Zhou Culture Radio Television Group (杭州文廣集團) etc,.

The experience center of Jingdian Home Decoration (鯨典家裝飾體驗館) was officially opened on the 3rd floor of Heping Shopping Mall (和平購物城), which was Lianhua Huashang's first attempt to provide a "supermarket + home decoration" immersive service and explore a comprehensive urban service operation model.

September

Wu Yun-feng (吳雲峰) (the store manager of the Shihua store of Century Lianhua) was honored as "Outstanding Individual in Shanghai City for Fighting Against the Pandemic" (上海市抗擊疫情先進個人) by the Communist Party of China Shanghai Municipal Committee and the Shanghai Municipal People's Government.

Lianhua Huashang was awarded as "New Enterprises for Outstanding Consumption Contribution in Hangzhou" (杭州新消費突出貢獻企業) by Hangzhou Municipal Bureau of Commerce, Zhejiang Province.

Lianhua Huashang acquired three types of certification, including Occupational Health and Safety Management Systems, ISO 22000 Food Safety Management System, and Hazard Analysis and Critical Control Point (HACCP).

Liauhua Anhui Company Changjiang Road store was selected as "Enterprises with Harmonious Labor Relations in Hefei City" (合肥市和諧勞動關係企業) by the Hefei Municipal Human Resources and Social Security Bureau of Anhui Province, Labor Federation of Hefei City (合肥市總工會), Enterprise Federation of Hefei City (合肥市企業 (企業家) 聯合會), and Federation of Industry and Commerce of Hefei City (合肥市工商業聯合會).

October

Heping Plaza store of Lianhua Huashang (聯華華商和平廣場店) was upgraded and relaunched with a brand new ecosystem of "Yin Yue Li – Heping City Life Center" (印悅里——和平城市生活中心).

November

Gong Hai-hua (龔海花) (the store manager of the Haimen store of Lianhua Jiangsu Company), Wang Xi Boqiang (王奚柏強) (the store manager of the Tianlin store of Lianhua Supermarket Development) and Qin Xiu-hong (秦秀紅) (the store manager of the Huinan store of Lianhua Supermarket Development) were selected as "2020 CCFA Gold Store Manager" (2020年度CCFA金牌店長) by China Chain Store & Franchise Association (中國連鎖經營協會).

Yang Han-bing (楊寒冰) (the head of loss prevention department of the Waigaoqiao store of Century Lianhua) was awarded the title of "Outstanding Individual" (先進個人) of Pudong New Area Fire Fighting Work in 2020 (2020年度浦東新區消防工作) by Emergency Management Bureau of Pudong New Area, Shanghai (上海市浦東新區應急管理局).

At the Lianhua Huashang Party Committee's poverty alleviation live streaming of "Consumption-Based Poverty Alleviation, Going Together" (消費扶貧，你我同行), it was the first time for Lianhua to move consumer-based poverty alleviation from the store to Lianhua's live streaming room. Lianhua arranged a total of over 20 poverty alleviation products from more than 10 counties and cities to be sold in the live stream room, with more than 25,000 people participating in online interaction for 2 hours of live poverty alleviation and accumulated poverty alleviation sales exceeding RMB62,000.

The Changjiang Road store of Lianhua Anhui Company was awarded as "Hefei 2020 Enterprise Remuneration Survey Quality Sample Unit" (合肥市2020年度企業薪酬調查優質樣本單位) by Hefei Human Resources and Social Security Bureau (合肥市人力資源和社會保障局).

December

Yang Jie (楊傑) (the store manager of the Xianxia store of Century Lianhua) was awarded the honorable title of "Shanghai Model Worker" (上海市勞動模範) by Shanghai Municipal Government.

The Huangpu Store of Century Lianhua was awarded "Trustworthy Standard Supermarket" (守信標準超市) and "Reliable Meat and Vegetables Standard Supermarket" (放心肉菜標準超市) in Shanghai by Shanghai Municipal Administration for Market Regulation (上海市市場監督管理局).

Lianhua Huashang was awarded the title of "Advanced Group in Fighting against COVID-19 pandemic in Hangzhou" (杭州市抗擊新冠肺炎疫情先進集體) by the Hangzhou Municipal Committee of the Communist Party of China (中共杭州市委) and The People's Government of Hangzhou (杭州市人民政府). Lianhua Huashang was awarded the title of "Outstanding Contribution Enterprise" (傑出貢獻企業) of the chain business of Zhejiang by Zhejiang Chain Management Association (浙江省連鎖經營協會).

Lianhua Huashang was awarded the title of "Grade AAA Enterprise Credit Rating in 2019" (二零一九年度企業信用等級AAA級) by Hangzhou Credit Rating Company (杭州資信評估公司).

The Company was awarded the title of "Security and Safety Qualified Unit" (治安安全合格單位) by the Public Security Bureau of Shanghai (上海市公安局治安總隊).

Anhui Tongling Century Lianhua Supermarket Co., Ltd. (安徽銅陵世紀聯華超市有限公司) was awarded the title of "2020 Tongling Pingan Enterprise" (2020年度銅陵市平安企業) by Pingan Office, Tongguan District, Tongling City of the Communist Party of China.

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NECTION


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Chairman's Statement

I am pleased to present the annual results of Lianhua Supermarket Holdings Co., Ltd. to all shareholders of the Company for the year ended 31 December 2020.

In 2020, the COVID-19 pandemic unexpectedly swept across the world, which not only caused severe damages to global economies but also brought great impact on the consumption market. Downward pressure on China's economy continued to mount, and the economic situations of China became more complicated and severe. The macro-economic downturn and the COVID-19 pandemic jointly influenced the retail industry in 2020, bringing about continuous uncertainties and ups and downs. The consolidation accelerated with mergers and acquisitions, as well as differentiation of sub-sectors in the retail industry. The pandemic boosted the "Stay-at-home Economy", which resulted in a significant increase in customer stickiness to online consumption. The accelerated development of digital economy continued to drive the upgrading of online consumption and the online and offline integration speeded up, accelerating the development of emerging consumption models such as food delivery and delivery-to-home services provided by supermarkets. Live streaming marketing returned to rational development after a year of explosive growth, e-commerce platforms continued to develop lower tier markets and community group buying came into the spotlight. Consumer demands showed a trend of diversified, personalised and rational development.

During this unusual year, the Group strived ahead and adhered to its philosophy of "Reform, Innovation, Persistence, Growth". On one hand, the Group actively fulfilled its social responsibility as a state-owned listed company, fought against the COVID-19, spared no effort in pandemic prevention and control, and took care of people's livelihood by ensuring supply and stabilising prices. On the other hand, the Group, stuck to consumer demand and the essence of retailing, focused on building its core capacities, deepened reform to promote growth, innovation and transformation, adjusted structures to boost strategic development and optimised supply chain and digital empowerment, thereby comprehensively promoting the development of diversified segments. In consideration of strategic development in the long term, the Group also initiated the reconstruction, reorganisation and integration of its convenience store segment in different regions, and established its direction for future development. In 2020, the Group recorded continued improvements in its overall operation, with a revenue of approximately RMB26,331 million, representing an increase of approximately 1.8% compared with last year. The Group recorded a turnaround to operating profit of RMB50 million, representing an increase of RMB82 million compared with last year. The loss for the year attributable to the shareholders of the Company was approximately RMB319 million, representing a decrease in loss of RMB59 million compared with last year. The loss per share amounted to approximately RMB0.29.

As the chairman of Lianhua Supermarket since 2015, I have witnessed the turbulence of the entire retail industry over recent years and have seen the high demands for innovation and fine operation in this industry. As a domestic retail company established for over 30 years, Lianhua, starting from the supermarket segment, is a pioneer of the local retail market and also the first Chinese retail chain operator listed on the Stock Exchange. The spirit of innovation has integrated with the DNA of Lianhua, empowering us with the courage and perseverance to address the difficulties ahead. As major e-commerce platforms in China continued to explore lower tier markets, the fresh produce sector has become more competitive.

Community group buying with massive discount took up the last mile of the fresh produce and general merchandise markets, the market shares of traditional retail have been shrinking, and traditional offline stores have found it increasingly difficult to survive. Facing the restless market and vulnerable confidence, Lianhua needs to stick to its original aspiration as a retail company. In the past few years, we have maintained our strategic focus, remained true to our original aspiration as a retail company, and continued to provide innovative services and experiences for our customers.

The COVID-19 pandemic in 2020 undoubtedly posed challenges both online and offline for all retail companies. Under this difficult circumstance, I have seen the value and meaning of innovation adhered by Lianhua. Through continuous innovation in category planning, supply chain transformation, and omni-channel delivery-to-home ecosystem construction, we stayed at the frontline of fighting against the pandemic, ensured the supplies during the early stage, and finally won the battle against the pandemic, which has enhanced consumers' confidence in Lianhua's fresh produce supply and delivery-to-home services, and also promoted the steady growth of the Group's online business in the post-pandemic era. The layout of community fresh produce stores in advance and the continuous transformation also laid a solid foundation for our growth during the rapid development of the community supermarkets and the community group buying, and the characteristic of being close to communities of our stores has greatly satisfied the current demands of consumers for fast and convenient shopping. These measures helped the Group's supermarket segment record a growth in 2020 despite the market adversity. The Group continued to upgrade its hypermarket 2.0 model and the community commercial centre model. Yinyueli Heping City Living Centre (印悅里和平城市生活中心) boosted the transformation of the stores from "shopping mall" to "living centre" with the philosophy of "enhancement of social experience, improvement of community services, diversity of daily shopping (增社交體驗、增社區服務、精生活購物)", which highlighted the combination of culture, social life, family, services and children activities. It provided a recreational outlet for local residents and visitors, which has greatly mitigated the decrease in customer flow caused by the pandemic. The continuous enhancement of logistics efficiency and service support (including the improvement on the overall collaboration efficiency among logistic bases in Jiangqiao and Yangxunqiao, etc.) was also the key to the smooth operation of all the Group's business during the year.

The greatest advantage of physical retail lies in the fact that it has face-to-face contact with customers, and thus can express the attitude, the emotional response and the feeling. While whole-heartedly refreshing the brand and restoring to the nature of retailing, Lianhua never forgets that the core of the Company is to taste the cooking trivia and the blessing of life, to satisfy consumers' desire for a better life, and to enable consumers to enjoy every moment of life by offering better product and better experience. With further implementation of brand revamp, Lianhua

is accelerating the brand visualization in stores, which allows increasing number of Lianhua stores to convey more meaningful and warmer connection to consumers with new look and new brand positioning. Centering on the strategy of brand revamp, Lianhua launched a series of marketing campaigns, such as "May 5th Shopping Festival" (「五五購物節」), "Chinese Brands in Vogue" (「國貨正當潮」), "Lighting up Dream Dinner" (「點亮夢想晚餐」), "Qianjiang Crayfish Festival" (「潛江龍蝦節」), "Harvest Festival – Chongming Select" (「農民豐收節-崇明優品」) and "2020 You & I & Love" (「2020年有你有愛」), with the collaboration of suppliers of the joint business plan (JBP) and the coordination of all business segments. Covering both online and offline businesses and getting popularity through internal mobilisation and external promotion, these campaigns brought us closer to consumers, created more effective interactions, endowed consumers with new life inspirations, and facilitated the positive, effective and genuine sharing between people.

It is self-evident that differential operation is important to the sustainable development of retail enterprises. In 2020, private-label brands of the Group had clearer development path and positioning. The private-label brand hierarchy consisting of "Lianhua Quality" (「聯華質造」) and Lianhua Excellence (優系列) developed steadily. The private-label brand products featured safety, reliability and cost-effectiveness, coupled with the package designed with strong visual effect, brought new shopping experience to consumers, and the scale effect continued to improve accordingly. Meanwhile, in order to promote the sustainable development of the fresh produce category, the Group further upgraded the structure of the category, strengthened the building of fresh produce category by high-quality base development and construction, global and large order operation and direct purchase and the targeted planting and breeding model, intensified the joint procurement and marketing efforts, and built the fresh produce supply chain.

Lianhua people, being all employees of the Group, created and guarded all the innovation and faith of the Group. To further stimulate employees' motivation and creativity and reinforce the cohesiveness of the organisation, the Group made breakthroughs again this year in the organisational reform. The store partnership scheme launched in 2019 strengthened current model, iterating to a new one by building data analysis tools. It performed with high quality and gradually expanded, with 156 stores participating in the store partnership scheme so far. In the meantime, the comprehensive promotion of contractual reform, performance review and talent selection enabled the Group to realise the selection and performance review mechanism for the management. The hiring, promotion and dismissal processes become more flexible and the talent selection mechanism is developed based on contract-based management, which further consolidated the foundation for the Group's sustainable development.

Lianhua people won a great battle in 2020. At the beginning of the year, over 20,000 employees across the country stayed at the frontline and worked hard to guarantee sufficient supply to consumers amid the COVID-19 pandemic. In the post-COVID era, leaders of Lianhua Family led Lianhua people to engage in the live-streaming sales. We seized every opportunity to boost the sales performance for offsetting losses. The more difficulties we face, the more determined we are to move on. All Lianhua people expect the Company to return to the days of glory, while being aware that "a start will bring an arrival even the road ahead is long and winding though, and striving is the only way forward"!

2021 is th first year of "14th Five-Year" Plan. Propelled by the new round of technological revolution and industry transformation, the application of new technologies such as the internet, cloud computing and artificial intelligence are deepened and people's living standard continues to improve. As a result, new consumption, represented by new content, new pattern and model, new structure and new system, will develop continuously. Under the national policy support and the trend of digital economy, new businesses and new models, including online consumption, unmanned retail, intelligent consumption, sharing consumption, information consumption and experience consumption, will develop rapidly in China. Large commercial complexes and supermarkets will accelerate their digital transformation; modern urban business districts will expedite the intelligent reconstruction and improvement; services will overtake products and become the principal consumption content; emerging e-commerce enterprises with new consumption models will deepen their collaborations with traditional manufacturers, thus promoting upgrades both in consumption and industry. New consumption will become a key driving force for the establishment of

the dual circulation development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement.

The Group unveils the year 2021 with the trial operation of the first new-pattern community fresh produce store – Shanghai Nandan Store. Highlighting "hospitable services, fresh products around and digital experience", the new store realises innovation in cross-industry cooperation as well as scenario and model innovation, and integrates space reconstruction and store layout optimisation. It improves product selection, strengthens fresh produce operation, serves the mid-end market, showcases new achievements of brand revamp, and further improves consumers' in-store shopping experience.

Retail has no boundary. Against the backdrop of rapid technology advancement, the retail industry will continue to evolve with definitely intensified industry competition. However, no challenge, no Lianhua. With the high morale of fighting the pandemic in 2020, the Group will pursue innovation based on where we started, deepen our features in 2021, implement regular epidemic control, and continue to focus on the five key tasks, "segment and end model, and expansion, product portfolio planning and supply chain construction, private-label brand, excellent implementation and brand revamp". We will constantly improve our development strategy by leveraging the dual drives of organisation & mechanism and digitalisation, explore new opportunities and usher in a new page, so as to build a sustainable new Lianhua.

In 2021, Lianhua is determined to win in three battles: "comprehensively promoting the whole-area sales", "improving consumers' perception of core categories and realising growth in sales thereof", "organisational reform, process reconstruction and digitalised operation". In the year when Lianhua enters its thirties, we expect to witness the innovation-driven revolution together with our consumers, suppliers and shareholders!

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

By order of the Board
Ye Yong-ming
Chairman

29 March 2021
Shanghai, the PRC

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Five Years Financial Highlights

Unit: RMB'000 For the year ended 31 December	**2020**	2019	2018	2017	2016
Revenue	**26,331,155**	25,859,198	25,389,082	25,225,388	26,666,069
Hypermarkets	**15,025,717**	14,976,770	14,838,130	15,263,388	16,291,815
– Percentage to turnover (%)	**57.06**	57.92	58.44	60.51	61.10
Supermarkets	**9,571,907**	8,958,752	8,571,730	8,001,927	8,323,560
– Percentage to turnover (%)	**36.35**	34.64	33.76	31.72	31.21
Convenience stores	**1,576,588**	1,829,787	1,896,690	1,874,299	1,982,848
– Percentage to turnover (%)	**5.99**	7.08	7.47	7.43	7.44
Other businesses	**156,943**	93,889	82,532	85,774	67,846
– Percentage to turnover (%)	**0.60**	0.36	0.33	0.34	0.25
Gross profit	**3,535,291**	3,518,840	3,587,399	3,757,839	3,937,505
Gross profit margin (%)	**13.43**	13.61	14.13	14.90	14.77
Consolidated income margin (%) (Note 1)	**24.59**	24.97	24.98	26.54	24.51
Operating (loss) profit (Note 1)	**49,569**	(32,163)	68,532	110,807	(220,251)
Operating (loss) profit margin (%) (Note 1)	**0.19**	0.12	0.27	0.44	(0.83)
(Loss) profit attribute to shareholders of the Company	**(319,286)**	(378,301)	(218,724)	(282,760)	(449,955)
Comprehensive (expenses) profit attributable to shareholders of the Company	**(319,286)**	(378,301)	(218,724)	(269,685)	(451,284)
Net (loss) profit margin (%) (Note 1)	**(1.21)**	(1.46)	(0.86)	(1.12)	(1.69)
(Losses) earnings per share (RMB)	**(0.29)**	(0.34)	(0.20)	(0.25)	(0.40)
Interim dividend per share (RMB) (Note 2)	**–**	–	–	–	–
Final dividend per share (RMB) (Note 2)	**–**	–	–	–	–

Unit: RMB'000 As at 31 December	**2020**	2019	2018	2017	2016
Net assets	**1,755,094**	2,046,506	2,459,926	2,488,833	2,753,879
Total assets	**23,220,754**	23,552,460	17,190,110	16,954,480	17,458,012
Total liabilities	**21,465,660**	21,505,954	14,730,184	14,465,647	14,704,133
Net cash flow	**(188,263)**	(462,561)	(916,407)	401,607	(1,271,465)
Average (loss) return on total assets (%)	**(1.37)**	(1.86)	(1.28)	(1.64)	(2.57)
Average (loss) return on net assets (%)	**(19.80)**	(19.26)	(10.06)	(12.15)	(16.73)
Gearing ratio (%) (Note 3)	**0.0**	0.0	0.00	0.01	0.01
Liquidity ratio (times)	**0.44**	0.65	0.78	0.73	0.79
Turnover of accounts payables (days)	**59**	60	62	62	61
Turnover of inventories (days)	**39**	38	37	41	43

Notes:

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

2. The total shares of the Company increased to 1,119,600,000 shares from 622,000,000 shares due to the bonus issue effective in September 2011. Meanwhile the Board did not recommend the payment of the final dividend for the year ended 31 December 2020 at the Board meeting held on 29 March 2021.

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

Management Discussion and Analysis

Operating Environment

The outbreak of COVID-19 in early 2020 has brought huge impact on China's economy. The Chinese government swiftly introduced effective measures and policy support to resume work and normal life. Along with gradual control of the pandemic, China's economy has recovered quarter by quarter. According to the data of National Bureau of Statistics of the PRC, in 2020, China's economy still achieved positive growth despite the outbreak of COVID-19, and China's gross domestic product (GDP) exceeded RMB100 trillion for the first time in history, representing a year-on-year increase of 2.3%. In 2020, the national economy of China recovered steadily with significant results achieved in stabilizing employment and protecting livelihoods.

According to the data of National Bureau of Statistics of the PRC, total retail sales of consumer goods nationwide fell by 3.9% year on year in 2020. By retail segment, the retail sales of supermarkets in retail units above designated size recorded a year-on-year growth of 3.1%, while department stores, specialty stores and exclusive shops recorded a decrease of 9.8%, 5.4% and 1.4%, respectively. In 2020, national online retail sales recorded a year-on-year growth of 10.9%, among which, online retail sales of physical goods rose by 14.8%, accounting for 24.9% of total retail sales of consumer goods. In 2020, despite the impact of the COVID-19 pandemic, consumer spending still accounted for 54.3% of GDP, the highest level in recent years, which demonstrated that consumption remained as an anchor of stable economic operation.

According to the data of National Bureau of Statistics of the PRC, in 2020, with the further increase of food prices, the consumer price index (CPI) ascended by 2.5% as compared with last year. The effect of the pandemic on total social demand exceeded its effect on total social supply and the recovery of consumption expenditure per capita remained slower than that of income per capita. As a result, the national disposable income per capita grew by 2.1% in real terms while the national consumption expenditure per capita declined by 4.0% in real terms. From the perspective of consumption category, consumption in the category of food, tobacco and liquor recorded a growth of 5.1%, which was the fastest among all categories, and accounted for 30.2% of the consumption expenditure per capita.

As shown in the Report on the Development of Consumer Market in China 2020 issued by the Chinese Academy of International Trade and Economic Cooperation, the continuous innovation and development of new consumption, which is characterized by new consumption contents, new ways and modes of consumption, new consumption structures and new consumption systems, have become an important driver leading the domestic economic circulation. It also boosted the digital transformation of market entities, fueled new segments and new modes, enhanced the efficiency of industrial chain, supply chain and value chain and cultivated the new growth drivers for digital economy.

The outbreak of COVID-19 boosted the "Stay-at-home Economy" and further stimulated the shift of consumers' preference to online shopping. Meanwhile, the new generation of Internet also demonstrated great intention and high budget for consumption. The significant increase in consumer stickiness to online consumption continues to drive the digitization of retail industry at a faster pace and with more profound impacts. Retail companies including the Company are embracing new segments with brand new thoughts, reshaping traditional retail scenarios with brand new models. By accelerating the development of online ecosystems for new retail, flow-based operation of member system, and emerging marketing techniques such as live streaming, we strive to bring consumers with more visualised and more vivid shopping experiences, thus leading growth in consumption.

Financial Review

Revenue

During the period under review, the Group's revenue was approximately RMB26,331 million, representing a year-on-year increase of approximately RMB472 million, or approximately 1.8%. The main reason for the increase was that the Group responded promptly during the outbreak of COVID-19 in the first half of the year to ensure the supply of products for people's livelihood, which, together with the active price control, effectively attracted customers. Meanwhile, the Group has been actively promoting store operation transformation and store partnership scheme in Shanghai region, driving the revenue of the supermarket segment to achieve a year-on-year increase of approximately RMB613 million, or approximately 6.8%. Same store sales decreased by approximately 2.34%.

Gross Profit

During the period under review, the Group's gross profit was approximately RMB3,535 million, representing a year-on-year increase of approximately RMB16 million, or approximately 0.5%. While customers' consumption habits changed during the COVID-19 pandemic, the Group's product mixes also changed during the post-pandemic period, with fast-moving consumer goods such as fresh produce taking a higher proportion. These products normally have lower gross profit margins. As a result, the overall gross profit margin of the Group was approximately 13.43%, representing a decrease of approximately 0.18 percentage point as compared with the gross profit margin of approximately 13.61% in 2019.

Other Revenue

During the period under review, the Group's other revenue was approximately RMB2,170 million, representing a year-on-year decrease of approximately RMB115 million, or approximately 5.0%. This was mainly due to the fact that the revenue from merchant solicitation decreased by approximately RMB117 million as compared with 2019 due to the outbreak of COVID-19.

Other Income and Other Gains and (Losses)

During the period under review, the Group's other income and other gains amounted to approximately RMB769 million, representing a year-on-year increase of approximately RMB117 million, or approximately 18.0%, which was primarily attributable to the gains of RMB252 million from disposal of the Group's land acquisition and reserve in Caoyang Road during the period under review and the gains of approximately RMB135 million from the disposal of self-owned land and buildings of Hangzhou Lianhua Huashang Group Co., Ltd., a subsidiary of the Group, in 2019.

Distribution and Selling Expenses

During the period under review, the Group's distribution and selling expenses amounted to approximately RMB4,861 million, representing a year-on-year decrease of approximately RMB300 million, or approximately 5.8%. Distribution and selling expenses accounted for approximately 18.46% of the revenue, representing a year-on-year decrease of approximately 1.50 percentage points. During the period under review, due to the COVID-19 pandemic, the Group was granted a reduction or exemption from part of the social security contributions, leading to a decrease in staff costs.

Administrative Expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB929 million, representing a year-on-year increase of approximately RMB49 million, or approximately 5.6%. Administrative expenses accounted for approximately 3.53% of the revenue, representing a year-on-year increase of approximately 0.12 percentage point.

Other Expenses

During the period under review, the Group's other expenses amounted to approximately RMB338 million, representing a year-on-year increase of approximately RMB199 million, or approximately 143.8%. The integration loss in the convenience store segment in each region based on the Group's overall consideration of the strategic development of this sector as well as the store closure plans of several outlets in the hypermarket segment resulted in an increase in relevant loss provision as compared with last year.

Share of Profits of Associates

During the period under review, the Group's share of losses of associates amounted to approximately RMB65 million, representing a year-on-year increase of approximately RMB51 million in losses. In particular, the return on investment in Shanghai Carhua Supermarket Co., Ltd. (上海聯家超市有限公司) recorded a year-on-year increase of approximately RMB49 million and the return on investment in Tianjin Yishang Friendship Co., Ltd. (天津一商友誼股份有限公司) recorded a year-on-year decrease of RMB106 million.

Profit before Taxation

During the period under review, the Group's loss before taxation amounted to approximately RMB15 million, representing a year-on-year decrease in losses of approximately RMB31 million, or approximately 66.4%.

The Group's operating profit was improved in 2020. The Group's profit before taxation recorded sound increase year on year after deducting the influences brought by one-off factors including the integration in the convenience store segment, the store closure of several hypermarket outlets as well as the gain from disposal of land acquisition and reserve.

Income Tax Expense

During the period under review, the Group's income tax expense was approximately RMB172 million, representing a year-on-year decrease of approximately RMB24 million, or approximately 12.1%.

Profit Attributable to Shareholders of the Company

During the period under review, the Group's loss attributable to shareholders of the Company amounted to approximately RMB319 million, representing a year-on-year decrease of approximately RMB59 million, or approximately 15.6% in losses. During the period under review, the net loss margin was approximately 1.21%, representing a year-on-year decrease of approximately 0.25 percentage point in losses. Based on the 1,119.6 million shares issued by the Group, the basic loss per share were approximately RMB0.29.

Liquidity and Financial Resources

During the period under review, the net cash outflow of the Group was approximately RMB188,263 thousand, mainly due to the year-on-year decrease in sales of prepaid cards and an increase in funds withdrawal. As at 31 December 2020, cash and balance at bank amounted to approximately RMB7,766,076 thousand.

For the year ended 31 December 2020, the accounts payable turnover period of the Group was 59 days, and the inventory turnover period was approximately 39 days.

During the period under review, the Group did not use any financial instrument for hedging purposes. As at 31 December 2020, there were no arbitrage financial instruments in issue by the Group.

Growth of Each Retail Business

Hypermarkets

During the period under review, the Group's hypermarket segment continued its upgrading and iteration of hypermarket 2.0 community neighbourhood centre, deepened the finalization of its 3.0PLUS model, created customer experience with diversified market and catering scenarios, accelerated the construction of digital store system, and actively enhanced its online operation capability. During the period under review, the hypermarket segment of the Group recorded a revenue of approximately RMB15,026 million, representing a year-on-year increase of approximately 0.3% and accounting for approximately 57.1% of the Group's revenue. Same store sales had a year-on-year decrease of approximately 5.82%. During the period under review, the hypermarket segment recorded a gross profit of approximately RMB2,004 million, representing a year-on-year increase of approximately RMB16 million. Affected by the outbreak of COVID-19, revenue from suppliers decreased by RMB48 million year on year, and rental income from leasing of shop premises recorded a year-on-year decline of RMB107 million, which led to a year-on-year decline of approximately RMB251 million in the consolidated income. The aggregate of distribution and selling expenses and administrative expenses amounted to approximately RMB3,235 million, representing a year-on-year decrease of approximately RMB102 million. The finance cost dropped by RMB23 million year on year. Other expenses increased by approximately RMB126 million year on year, which was mainly due to the effect of closure plan of certain stores of the hypermarket segment. The segment operating profit amounted to approximately RMB119 million, representing a year-on-year decrease of approximately RMB254 million, and the operating profit margin declined year on year by 1.70 percentage points to approximately 0.79%.

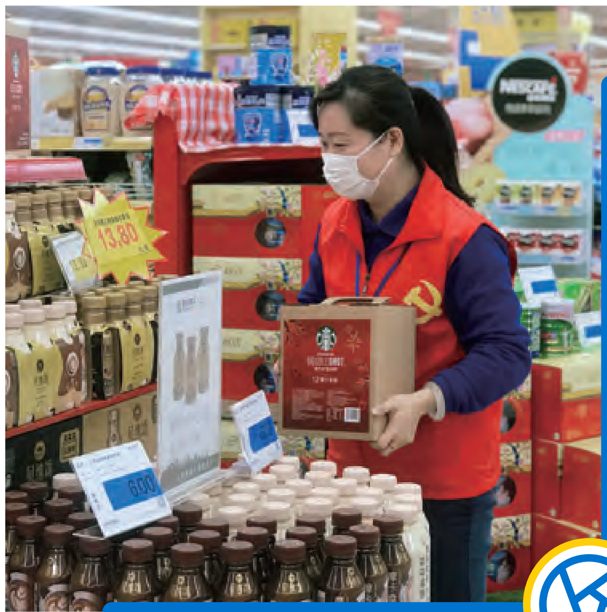
	As at 31 December	
	2020	2019
Gross Profit Margin (%)	**13.33**	13.27
Consolidated Income Margin (%)	**24.68**	26.44
Operating Profit Margin (%)	**0.79**	2.49

Supermarkets

During the period under review, the Group's supermarket segment focused on transformation and upgrading. It consolidated its established foundation while seeking innovation with a focus on the community fresh produce supermarkets. Through category planning and brand revamp, the Group differentiated and created the community-based fresh produce shopping experience with its own characteristics, and reconstructed the store space based on scenario and product portfolio optimisation to improve the effectiveness per square meter. During the period under review, the Group's supermarket segment recorded a revenue of approximately RMB9,572 million, representing a year-on-year increase of approximately RMB613 million, or approximately 6.8%, and accounting for approximately 36.4% of the Group's revenue. In particular, same store sales had a year-on-year growth of approximately 4.0%. During the period under review, the supermarket segment recorded a gross profit of approximately RMB1,310 million, and the gross profit margin rose year on year by 0.18 percentage point to approximately 13.68%. The consolidated income was approximately RMB2,080 million, representing a year-on-year increase of approximately RMB133 million, and the consolidated income margin remained unchanged at 21.73% as compared with last year. The segment operating profit amounted to approximately RMB176 million, representing a year-on-year increase of approximately RMB213 million, and the operating profit margin rose by 2.24 percentage points to approximately 1.83%.

	As at 31 December	
	2020	2019
Gross Profit Margin (%)	**13.68**	13.50
Consolidated Income Margin (%)	**21.73**	21.73
Operating Profit Margin (%)	**1.83**	–0.41

Convenience stores



During the period under review, the convenience store segment focused on "streamlining structure, cutting costs and reducing loss faster", accelerated reorganisation of store with loss in each area, downsized the work force by several measures and controlled operating costs. During the period under review, the convenience store segment recorded a revenue of approximately RMB1,577 million, representing a year-on-year decrease of approximately 13.8% and accounting for approximately 6.0% of the Group's revenue. In particular, same store sales decreased by approximately 0.41% year on year. The convenience store segment recorded a gross profit of approximately RMB214 million, and the gross profit margin decreased by 3.12 percentage points to approximately 13.58%. Gains of RMB73 million from disposal of the land parcels at Caoyang Road was included in other income and other gains. The consolidated income was approximately RMB401 million and the consolidated income margin increased by 3.38 percentage points year on year to approximately 25.45%.The aggregate of distribution and selling expenses and administrative expenses amounted to approximately RMB403 million, representing a year-on-year decrease of approximately RMB156 million. The loss-making store reorganisation resulted in a year-on-year increase of approximately RMB73 million of other expense. During the period under review, the convenience store segment recorded an operating loss of approximately RMB210 million, representing a decrease of approximately RMB72 million in losses as compared with last year. The operating profit margin rose by 2.12 percentage points to approximately -13.31%.

	As at 31 December	
	2020	2019
Gross Profit Margin (%)	**13.58**	16.70
Consolidated Income Margin (%)	**25.45**	22.07
Operating Profit Margin (%)	**–13.31**	–15.43

Capital Structure

As at 31 December 2020, the Group's cash and cash equivalents were mainly held in Renminbi. The Group had no other bank borrowings other than the bank borrowings of RMB20 million incurred by a non-wholly owned subsidiary.

During the period under review, the equity attributable to owners of the Group decreased from approximately RMB1,771,953 thousand to approximately RMB1,452,667 thousand, which was primarily attributable to the loss of approximately RMB319,286 thousand recorded in the period.

Details of the Group's Pledged Assets

As at 31 December 2020, the Group did not pledge any assets.

Foreign Exchange Risks

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

Share Capital

As at 31 December 2020, the issued share capital of the Company was as follows:

Class of Shares Issued	Number of Shares	Percentage
Domestic Shares	715,397,400	63.90
Unlisted Foreign Shares	31,602,600	2.82
H Shares	372,600,000	33.28
Total	1,119,600,000	100.00

Development of Sales Network: Segment and End Models Expansion

During the period under review, the Group focused on core regions and core segments, enhanced its presence in the Yangtze River Delta region, and steadily advanced the opening and renewal of outlets. The Group opened a total of 429 new stores, including 91 new directly-operated stores and 338 new franchised stores. 321 stores were located in the Yangtze River Delta region and accounted for 74.83% of the new stores. On the other hand, the Group adapted to changes in market environment, continued to prudently review the stores and improved the overall quality of the physical outlets. As a result, 589 stores were closed, including 372 directly-operated stores and 217 franchised stores.

Region	Segment	Newly opened stores during the period under review		Closed stores during the period under review	
		Number	Operating Area *(m²)*	Number	Operating Area *(m²)*
Greater East China	Hypermarkets	3	15,000.00	5	36,947.00
	Supermarkets	226	132,498.20	147	39,746.96
	Convenience Stores	125	6,519.04	243	17,857.42
North China	Supermarkets	1	4,800.00	0	0.00
	Convenience Stores	4	187.00	80	5,441.65
Northeast China	Convenience Stores	15	833.58	93	4,245.90
Central China	Hypermarkets	1	1,350.00	0	0.00
	Supermarkets	14	19,472.00	3	4,540.00
South China	Supermarkets	34	66,427.54	17	11,791.00
Southwest China	Supermarkets	0	0.00	1	2,800.00
Northwest China	Supermarkets	6	5,210.00	0	0.00
Total		429	252,297.36	589	123,369.93

Note: Data as at 31 December 2020.

During the period under review, four new hypermarkets were opened, with three located in Zhejiang province and one located in Henan province; five hypermarkets were closed, with three located in Shanghai, one located in Zhejiang province and one located in Anhui province. The number of stores recorded a net decrease of one. The hypermarket segment accelerated transformation and upgrading and continued the upgrading and iteration of the hypermarket 2.0 community neighbourhood centre with a view to increasing profitability. The segment optimised the layout of tenants and improved the overall effectiveness per square meter by repositioning its operating model. It followed the concept of "community life centre & vibrant hustle and bustle for life", built a new retail model that underlines the last mile of community service, and upgraded from "traditional hypermarket" to "community commercial centre". The hypermarket segment continued to finalize its 3.0PLUS model, determined marketing positioning and strengthened community-based service, with an emphasis on the model of "light catering + department store + lifestyle service + leisure and entertainment". It built a market of omni-channel and interactive scenarios, and through exploring and polishing its operating model, it constantly refined operational standards and improved operational processes so as to enhance operation efficiency and improve the overall revenue of products.

During the period under review, the supermarket segment, as the core development segment of the Group, continued to promote sales network expansion and store transformation and efficiency enhancement. A total of 281 new supermarkets were opened, including 83 directly-operated stores and 198 franchised stores. 168 supermarkets were closed, including 40 directly-operated stores and 128 franchised stores. The number of stores recorded a net increase of 113. The supermarket segment has achieved consecutive and rapid growth in store number with high renewal rate of stores since 2018. During the period under review, the supermarket segment focused on the determination of the existing new store model in response to the consumption trends. With a focus on the community fresh produce supermarkets, it kept making innovation while consolidating its established base, and introduced community fresh produce experiencing stores. With a focus on the incubation of new segments, it continued to explore whole food supermarket and selected supermarket, two new segments of the Group, in order to provide consumers with more personalised and differentiated quality services, better shopping experiences, and inspiration for life through the precise positioning of demand. It innovated scenario and model for community fresh produce supermarkets, and created differentiated and characteristic community-based fresh produce shopping experience

through category planning and brand revamp. With the continued polish and determination of the new business model, whole food supermarket further promoted the interaction between dining experience and supermarket, developed private-label brands, conducted mutual empowerment of the Company's existing supply chain, and kept in line with the trend of socialization of food and beverage. Selected supermarket planned to focus on the mid-to-high end community to plan segment and select product categories targeting at customer groups with high-quality demands.

During the period under review, 144 new convenience stores were opened, including four directly-operated stores and 140 franchised stores and 416 stores were closed. The number of stores recorded a net decrease of 272. Centering on the principle of "streamlining structure, cutting costs and reducing loss faster", on one hand, the convenience store segment accelerated the improvement of stores operation capability, tracked user experience, empowered catering models

and developed additional service functions; on the other hand, it continued to reorganise and transform, adjusted store network layout and integrated the supply chain capacity with other segments. Guided by the principle of cutting costs and reducing losses, Quik convenience stores in Shanghai region and Dalian region accelerated reorganisation of stores with loss, converted some directly-operated stores to franchise model; Quik convenience stores in Beijing region closed all directly-operated stores and will carry out franchise business under franchise model; and Quik convenience stores in Zhejiang region will integrate the strength of the supply chain in Zhejiang region, adjust store structures and improve operating results.

During the period under review, leveraging on its sales network advantage, the Group further improved its delivery-to-home services and enhanced the operation capability, thus accelerating the sales growth of this business. The Group fixed online category-specific activities by interacting with brand owners and integrating marketing resource; enhanced product power and completed category layout; based on the data-driven and consumer-oriented approach, comprehensively utilised new media resources, adopted more social elements and increased contributions from sales to online members; strengthened the support of big data for business by developing internal and external platforms in a collaborative manner; increased the frequency and output of ground promotion, basically established production and research collaboration of omni-channel, optimized the process at the shopping end, improved offline delivery capabilities and strategically enhanced delivery-to-home experience through digital means.

As at 31 December 2020, the Group had 3,192 stores in total, representing a net decrease of 160 stores compared with the end of 2019, which was primarily attributable to the adjustment in convenience store segment. Approximately 85.31% of the Group's stores were located in East China.

	Hypermarkets	Supermarkets	Convenience Stores	Total
Direct operation	140	718	339	1,197
Franchise operation	–	1,413	582	1,995
Total	140	2,131	921	3,192

Note: Data as at 31 December 2020.

Product Portfolio Planning and Supply Chain Construction

During the period under review, the Group actively expanded the source of fresh produce products and constructed fresh produce bases. On the one hand, it strengthened the direct sourcing, enhanced the base management and improved the fresh produce supply chain to build a high-quality and competitive fresh produce category. On the other hand, the Group expanded its fresh produce value chain, fully developed channel advantages, and deepened the cooperation with suppliers in marketing and major products for people's livelihood to enrich the category and build a leading product structure.

During the period under review, the Group strengthened the cooperation with JBP suppliers, signed nationwide joint procurement contracts and improved the terms of these contracts. It built the product debut cooperation model with brands and expanded the portfolio of five-star launch and three-star launch to develop Lianhua's differential business advantage. The Group realised brand upgrading through establishing the all-round strategic cooperation with brand owners in multiple new retail fields including big data empowerment and experience innovation, launching more brand owner activities and increasing resource investment in the franchise system. It established nationwide JBP contract project and marketing project teams to improve the work frame of JBP internal and external communication. The Group established an advanced price management system as it reviewed and adjusted low-margin products, comprehensively considered the consolidated revenue, sales and dynamic distribution rate, selected optimal products and advanced the smart promotion and pricing, and built the supplier management system based on consolidated revenue dashboard by working on the assessment of each supplier and the gross margin channel simultaneously.

During the period under review, the Group continued to improve its category allocation, focused on the improvement of single product efficiency, and promoted the category solidification to stores in an orderly manner. It upgraded the structure of imported products by focusing on expanding the leisure category and developing fortress commodities, and improved the supply chain by developing the agency procurement/direct procurement model. As a result, the advancement of imported products achieved significant progress, and the proportion of imported products improved to more than 6%.

Private-label Brand

During the period under review, the Group actively promoted its private-label brand based on a clear development path and positioning, and made progress in building a private-label brand hierarchy consisting of "Lianhua Quality" and Lianhua Excellence series according to GBB (Good, Better, Best) classification. It further improved the penetration of private-label brands in core categories through multi-channel marketing and promotion and on the basis of operating private-label brands with Lianhua characteristics. The Group accelerated the development of fresh produce private-label brands, promoted the development of "Lianhua Quality" fresh produce category, introduced more major products to the category, and comprehensively improved the proportion of fresh produce private-label brands. Meanwhile, it advanced the development of room-temperature private-label brands and improved the proportion of groceries and general merchandise.

During the period under review, the Group further improved the marketing strategy for private-label brand category and advanced the synergetic development of business segments and the regional resource integration. Basing on the core strategy and the visual presentation, the Group built the visualisation strategy system for key brands carefully, fully applied the basic visualisation system and the visualisation application system to the package design of "Lianhua Quality" and Lianhua Excellence series, thus bringing consumers brand-new shopping experience and further expanding the scale effect of Lianhua private-label brands. It established the nationwide working group to further promote its private-label brands from a consumer oriented perspective. In the meantime, the Group reviewed the supply chain of private-label brands on regular basis, integrated Lianhua's resources, achieved resource sharing, diversified the product portfolio of private-label brands in Shanghai, Zhejiang and other regions, so as to build an omni-channel and high-quality category.

During the period under review, the Group continued to adjust and improve the management system for private-label brands. It established the joint management group of private-label brands to take charge of the nationwide development and maintenance of private-label brands. From quality control, package design to supplier tracing, the "Lianhua Quality" brand launched in 2020 has been incorporated into the unified management of the joint management group of private-label brands, and has established the whole-process quality monitoring system in accordance with the overall requirement of the supply chain construction standard.

Excellent Implementation to Improve Operational Capability

During the period under review, the Group realised a year-on-year growth in overall sales by adopting several measures to attract customer flow and orders. It took advantage of high-frequency fresh produce to attract customers and maintained a stable customer flow by promoting the member referral scheme, improving services and making sure that marketing activities reached targeted customers precisely. While creating consumption scenarios and promoting cross-industry cooperation, the Group leveraged the We-Media to produce regular programmes and columns, opened Lianhua Select Live Streaming Channel (聯華好物直播間) to attract young customers, and gathered resources of other industries to expand brand communication. It also combined the bundling sale with non-price cut promotion, and improved the display of products at the same time.

During the period under review, the Group was committed to creating supply chain synergy and improving logistics operation. It improved the business process and expanded the transition from direct delivery to distribution to improve the warehouse utilisation efficiency and logistics distribution efficiency; improved the automatic replenishment system for central warehouses, reduced inventory turnover days, thus further improving the store order fulfilment rate. While maintaining the stable performance of core businesses, the Group strengthened logistics to support the business development, made efforts to develop third-party distribution resources and reduce the operating cost, and built a competitive logistics distribution support system. In the meantime, the Group endeavoured to improve the competitiveness of fresh produce category. It strengthened the centralised distribution capacity by starting from improving the logistics operation efficiency and leveraging the synergy of logistics warehouses in Jiangqiao, optimised the vegetable and fruit operation, and therefore boosted the sustainable sales growth of the fresh produce category.

During the period under review, the Group focused on improving the operation and marketing capabilities of the fresh produce category. It developed different sales scenarios throughout the day to enhance the operating capacity of fresh produce category. Specifically, it improved the all-day-long operation capability for all categories, boosted sales in rush hours, and strived to attract more customers in morning and evening sales sessions; reinforced the operating capacity of base direct sourcing fresh produce segment: increasing products supplied from the bases, showcasing the display highlights, and cultivating high-quality fresh produce and building fresh produce areas with Lianhua characteristics.

During the period under review, the Group stayed performance-oriented and promoted the store partnership model. By reviewing the operation philosophy and operation capability of partners, the Group further improved the Handbook of Standard Operation Procedure (SOP) and the store operation procedures, thereby further polishing the sustainable partnership model. It made high-quality progress in promoting the partnership scheme through consolidating the existing model, iterating to a new one and building data analysis tools, and achieved gradual expansion.

During the period under review, the Group continued to advance the improvement of operation standard and service level and focused on strengthening the executive ability. For promoting the implementation of operation standard in stores, the Group adopted multiple measures, which mainly included reviewing some of the procedures to improve the work efficiency, building SOP model store to improve the operation, and promoting online-offline integrated trainings. For improving the service quality, the key measures included promoting Five Commitments of Bailian (百聯五大承諾) and expanded the policy of returning goods without reason within 7 days to all stores, keeping staff care/customer activities, promoting the appointment of product selection officer to cover all stores in Shanghai, intensifying inspection to five-star stores and finalising the five-star store plan.

Brand Revamp

During the period under review, the Group strengthened external communication via the scenario insight and creation, and promoted the cross-industry cooperation to boost the number of customers and build a younger consumer structure. It leveraged we-media platforms, produced regular programmes and columns and cultivated followers' reading habits to achieve greater product promotion and better marketing and promotion effectiveness. It also developed an innovative operation model by opening Lianhua Select Live Streaming Channel, to attract young consumers and gradually realise the conversion from consumers' perception, interest, engagement to purchasing.

During the period under review, the Group advanced the consumer-oriented marketing integration driven by nationwide branding through integrating suppliers' resources and touching consumers via multiple points, and effectively stimulated the overall performance to grow through further promoting and improving the S-grade marketing. In addition, the Group further conveyed Lianhua's mission of "To offer better products, better experiences, and better living every day" by launching a series of theme activities, which included Lighting up Dream Dinner, Qianjiang Crayfish Festival and Harvest Festival – Chongming Select.

During the period under review, the Group built an eCRM membership system with whole-chain targeted marketing, conducted membership system analysis driven by the big data technology, built the sustainable and regular membership marketing system, therefore rebuilding members' interests and experience and improving member consumption frequency and activeness. Through the Business Intelligence (BI) data development, the Group deepened the analysis and insight into member data and improved the membership operation efficiency.

During the period under review, the Group adhered to the vision of "Increase our consumers' loyalty to us" and think from the perspective of consumers when promoting the new brand visualisation system in stores, which was based on the brand's core strategy and visual presentation and the operation requirements, establishing the new visual refreshment standard and building a nationwide, systematic and unified brand image. The Group continuously made new attempts in the course of brand revamp, and launched the scenario setting in the first community fresh produce experience store, conveying more meaningful and warmer connection to consumers with new look and new positioning and bringing consumers brand-new shopping experience. With diversified marketing communication channels, the Group communicated and delivered the connotation of Lianhua brand to consumers: "In Lianhua, everything has a story, every space is for sharing, and people are warm and loving."

Employment, Training and Development: Mechanism, Organisation and Corporate Culture

As at 31 December 2020, the Group had a total of 31,368 employees, representing a decrease of 3,870 employees during the period under review. Total employment expenses amounted to approximately RMB2,533,856 thousand.

During the period under review, the Group further promoted the organizational reform and improved the talent selection and employment mechanism based on contract-based management where the hiring, promotion and dismissal become more flexible. The Group conducted performance review and talent selection by reference to the requirements for three-year term of office assessment and made good application of the result of performance review and talent selection. The design of the Company's new organizational structure has been completed and the business department system was put into trial implementation for the first time through establishing the Business Department of Food and General Merchandise. The Group also completed the design and implementation of new department structure in relation to goods, operation and business. The Group established a marketing center with integrated marketing and management resources and completed its function adjustment. The Group promoted the implementation of talent review and fixed positions and personnel quota and completed the transformation of relevant employees in a timely manner, so as to achieve the overall performance goal of the Company. The Group optimised the employment mode of its stores by ways of front line innovation and pilot calculation and improved labour efficiency and reduced labour expense rate through adopting flexible employment and an employment mode where different types of employment co-exist.

During the period under review, the Group continued to optimise and adjust its remuneration structure and performance evaluation and incentive mechanism. Focus was put on the adjustment and optimisation of the annual salary system and monthly salary system. Meanwhile, the Group continuously improved its incentive mechanism. Multi-level performance evaluation targets were set clearly to encourage teams to strive for higher performance, realising more pay for more work. The Group continued to establish the incentive model of sharing incremental income with all staff. The store partnership scheme was further improved and upgraded. The Group mobilized and motivated its employees through promoting and implementing store partnership scheme continuously, with a view to achieving a win-win situation between the Company and its employees.

During the period under review, the Group's training development focused on cultivating back-up talents and innovative talents, while strengthening its training system that consists of faculty and course. The construction of the faculty system was further strengthened, and the systematic, targeted and practical nature of the course system was emphasised to realise further upgrades of the course system. In response to the epidemic, some training courses were transferred from offline to online in a timely manner. The training programs for eagle talents and eyas were implemented through brand training camp, new retail and new specialized skills, digital store, store partnership and other key projects with a focus on improvement in professional skills empowered by marketing and procurement, so as to gradually form a tiered and categorised talent training model.

Digital Drive

During the period under review, the Group made efforts to promote the construction and application of digital store system. It accelerated the iteration of digital store system, built the "multi-layer and sustainable" store digitalisation system, completed the network framework of digital store system and the pilot launching in some supermarkets and one hypermarket in Shanghai region.

During the period under review, the Group promoted the digital upgrading targeted for standardising operation and management to improve the quality of store operation and management. It completed the development of Lianhua integrated digital supply chain system and the development and launching of theme-based statements, such as "inventory management", "product procurement" and "promotion performance", and achieved the full coverage of headquarters backup system to enhance the headquarters network security system.

Principal Risks

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

Operational risk

The pandemic has changed citizens' travel habits and shopping habits and reduced the in-store consumption, which jointly posed great challenges to physical stores. On top of that, the pandemic has not completely receded and continued to affect shopping habits, and consumers now have less intention to make purchase. All of these subject the Group's businesses to greater challenges.

Mitigating measures

The Group will strengthen the platform competitiveness of online businesses, intensify publicity efforts, enrich the product portfolio and increase the frequency of promotion. It will reinforce in-store businesses, provide various live-streaming sales, and expand marketing channels to stimulate consumption. The Group will actively participate in the government's voucher issuing campaign to attract consumers to draw the vouchers and then come to stores to use them. The marketing plan will focus on improving customer flow. On the one hand, the Group will seize the opportunity of street stall economy and set up more stalls outside the stores for promotion. On the other hand, it will make use of the consumption stimulation policy and explore more opportunities from more aspects such as promotion efforts, services and member-only activities.

Risk related to the development of network

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

For the existing stores, the Group is faced with the increasing rental cost for the stores located alongside streets, and the rising proportion of rental cost in total costs leads to the risk of further compression of profit margin. Besides, the risk of failure to renew the relevant tenancy agreements when due is rising due to a series of factors, such as competition, rental price and government policies, etc.

Mitigating measures

By adopting refined business development strategy, the Group mainly focuses on the regions with advantages or market gap, targeting to benefit the overall business from particular well-performing stores. Meanwhile, the Group prudently explores regions for future development and preliminary communicates on the supporting policies for new store development.

In respect of tenancy agreement renewal for existing stores, the Group would make relevant arrangement in advance and complete the renewal case by case for certain stores where the Group considers important or encounters difficulties in renewal, managing to accomplish the renewal targets through various channels and methods.

Risk related to merchant solicitation

Due to the pandemic, the vacancy rate increases, accompanied by greater uncertainty in contract performance and delayed rent payment by merchants, which indicate that the risk of contract breach is greater.

Mitigating measures

The Group will improve the deployment of merchant solicitation to fill the vacancy rapidly. It will reduce the dependence on retailing, strengthen the experience, increase the proportion of merchants offering community services, in order to increase the revenue from merchant solicitation.

In addition, the Group's department of legal affairs will respond actively to lawsuits, propose to convene special meetings according to the cases, and provide legal opinions. In the meantime, the business department will assess the impact of the pandemic on business operation, actively negotiate with contract counterparties to resolve disputes by settlement.

Risk related to employees

The rapid business expansion and business model transformation of the Group result in new change in its demand for talents, and the sustainable development of the Group needs strong support from cultivation of a batch of backup talents reserve. At the current stage, the Group needs to make further efforts in talents reserve, especially in cultivation of talents for core posts. Imbalance exists in match between talents and remuneration, performance-related bonus and position value, which to a certain extent affects the enthusiasm of the employees. The control of employee related risks plays an important role in overall risk control.

Mitigating measures

The Group manages to build a corporate culture focused on consumers' needs through enhancing and revitalizing basic level employees. The Group promoted the contract-based performance targets of core positions, continued to establish the incentive model of sharing incremental income with all staff, and focused on advancing the front-line store partnership mechanism. The performance evaluation system has been gradually established oriented by operating performance with unified process management and target management. The Group continues to supplement the core business talents through external recruitment while selecting the youth backup elites. Meanwhile, its core operating team is getting consolidated through diversified means, such as concurrent serve in another position, work by rotation and incubation of innovative projects. The Group focuses on its core business and posts, promotes development of new business under the new retail concept, and propels training and development of the leading and backup talents.

Risk related to supplier management

Among the suppliers of the Group, brand suppliers of high-risk food may provide complete and valid certificates but may have potential safety risks in respect of production environment and equipment.

Mitigating measures

The Group requires producers of high-risk food to possess valid certificates, including ISO22000 certificate or HACCP certificate, and submit on-site audit reports issued by certification bodies. Third-party auditors designated by the Group conduct on-site audits and issue qualified audit reports, and the audit reports remain valid for one calendar year.

Compliance risk management

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

Strategy and Planning

The year of 2021 is a new start for the 14th Five-Year Plan and the Vision 2035 of China. Facing the complex and profound changes in the international and domestic environments, the Chinese government will take proactive measures to cope with the new environment and new challenges, and stick to the general principle of pursuing progress while ensuring stability. Based on a new development stage, it will promote new concepts and build new patterns for development, and unremittingly deepen reform, opening up and innovation. It will consolidate and expand the achievements of epidemic control and economic and social development, implement the macro-policy in a scientific and accurate manner, endeavour to maintain the economy within a reasonable range and ensure that the 14th Five-Year Plan will have a good start.

In 2021, with persistent and effective epidemic control, further economic recovery and the construction of new development pattern in which domestic economic cycle plays a leading role, the Chinese government will deepen reform and innovation in the future to stimulate the endogenous dynamics of market entities, and roll out more policies to boost residents' consumption, improve the consumption environment and develop new consumption growth engines, further building a favourable consumption environment, making greater effort to increase residents' income and improving residents' consumption power and willingness to spend. The Group anticipates that residents' consumption will maintain steady growth in 2021, the consumption upgrading will have a strong momentum and stimulate industry upgrading to accelerate, and that consumption will play a greater role in driving the economic growth and become a strong engine for China to seek progress and maintain stability in 2021.

In such a context, the Group will follow the vision of "basing on the Yangtze River Delta region, expanding to the whole country, integrating the supply chain effectively to offer a full range of high-quality products, and becoming an omni-channel lifestyle retailer with local spirit" in 2021, uphold the principle of "nothing but thirty, innovation & revolution", stick to the key tasks of the year of "segment and end model and expansion, product portfolio planning and supply chain construction, private-label brand, excellent implementation and brand revamp", and endeavour to win the three battles of "comprehensively promoting the whole-area sales", "improving consumers' perception of core categories and realising growth in sales of core categories", "organisational reform, process reconstruction and digitalised operation", with the dual drive, being "organisation and mechanism" and "digital drive", serving as the support system.

In 2021, the Group will comprehensively promote whole-area sales. It will advance the whole-area category management in an all-round manner, establish its online category and front-end warehouses, strengthen membership services and improve user experience on its own platform, and develop community group purchase and other new businesses. Leveraging the development of delivery-to-home business, the Group will build a category structure centred on "fresh produce", capitalise on the customer flow of external platforms to build its brand influence, and take the advantage of its front-end warehouses to drive greater market penetration. It will cooperate third-party platforms to build the reputation in the e-commerce field, further develop its online category structure, and highlight the service value. The Group will comprehensively promote

the category management and whole-area sales of segments, closely follow market trends to improve product categories, and extend the achievement of category solidification. On the basis of accelerated improvement of second-party logistics efficiency, it will build the new retail logistics ecosystem. Through the new retail logistics system, it will promote the delivery-to-home and next-day delivery model, and launch intra-city retail and third-party services, which will focus on cold chain products and realise half-hour and one-hour delivery in Shanghai. The regional central warehouse will support the second distribution of hypermarkets and supermarkets, and realise next-day delivery and scheduled delivery through the trunk line logistics, which will significantly reduce the logistics and distribution fees. The Group will reshape its membership system and flow operation ecosystem, taking stores and applets as the main positions, developing more ecosystem flow entrances through we-media operation and paid marketing operation and achieving flow conversion. It will promote digital stores, build the digital store system that aims to improve online and offline consumer experience and supports micro-level business operation, and integrate online and offline data to realise whole-process visualisation and real-time accessibility to business data.

In 2021, the Group will make efforts to improve consumers' perception of core categories and realise growth in sales of core categories. It will build the supply chain model and strengthen product quality control, logistics, fresh produce promotion, store operation and training; apply smart promotion and pricing tools to develop online-offline coordinated differential promotion campaigns, focus on S-grade marketing, and launch "scenario + blockbuster" theme marketing activities to improve marketing and promotion effectiveness and benefits. With the consumer-driven model, the Group will study and satisfy what the consumers want, expedite the development of core categories, concentrate on the enhancement of dinner scenario, and comprehensively improve the whole-chain, omni-channel experience and sales presentation. It will continue to improve the visual effect of display scenario, take theme activities as the opportunity, make use of new media platforms, integrate new media resources, and launch diversified activity-based communications, thus connecting and interacting with consumers via multiple ways, building close relationship with them and better conveying the brand philosophy of "To offer better products, better experiences, and better living every day".

In 2021, the Group will further advance organisational reform, process reconstruction and digitalised operation. It will review headquarters-business division/region-store relations, initiate process reconstruction for headquarters, business divisions and stores, strengthen the operation and procurement coordination of fresh produce category, and further develop the features of each segment. The Group will establish an integrated operation standard of operation-procurement-sale-distribution to draw together and standardise the operation, enable seamless connection among departments and make the work measurable and verifiable. Basing on the SOP reconstruction, the Group will comprehensively upgrade the standardised operation, promote the technology-driven digitalised organisation operation, and build the service brand. It will consolidate and streamline the organisation structure, adjust the reporting hierarchy, form an efficient and flat organisation, and gradually unify the remuneration and benefit structure and the performance evaluation and incentive policy to form a positive and negative bi-directional incentive mechanism. The Group will employ the digitalisation-driven category and supply chain management, improve the product structure, apply smart promotion to increase the proportion of effective promotion, thereby improving the consolidated revenue. It will promote the construction of digital supply chain and integrate the logistics system to realise supply chain whole-process digitalization covering products, stocking, selling and storing, logistics and operation.

In 2021, the Group will continue to promote the segment and end model and expansion. The hypermarket segment will further upgrade and iterate the hypermarket 2.0 community neighbourhood centre, building hypermarket 2.0 into community life centre & vibrant hustle and bustle for life, and continue to explore the hypermarket 3.0 market model, constructing hypermarket 3.0 into the omni-channel interactive market based on the 3-kilometer service circle of stores. The directly-operated business under the supermarket segment will expedite the expansion and transformation of community fresh produce store, with the franchise business focusing

on the development of close-relationship franchising and semi close-relationship franchising models. The convenience store segment will put emphasis on store improvement and streamlining and further develop stores with profit and loss balance, to realise sustainable growth of the segment.

In 2021, the Group will integrate high-quality resources effectively for the category planning and supply chain construction, build a nationwide fresh produce value chain, strengthen coordination and collaboration with suppliers across the country, initiate strategic cooperation for core categories, and develop a JBP strategic cooperation model pursuing shared future and mutual benefits through joint efforts. The Group will advance the penetration of its private-label brand, expand the product line of Lianhua Quality, develop the features of high quality and cost-effectiveness to build the reputation of Lianhua Quality and Lianhua Excellence series, and realise the promotion of Lianhua private-label brands across the country.

In 2021, the Group will continue to promote the brand revamp, accelerate the implementation of brand system planning and build a nationwide, systematic and unified brand image.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2020.

Final Dividend

The board of Directors (the "**Board**") of the Company recommends not to distribute final dividend for the year ended 31 December 2020.

Environmental Policy, and Performance and Compliance of Laws and Regulations

Details of the environmental policy and performance of the Group in 2020 are set out in the Environmental, Social and Governance Report on page 222 to page 272 of the annual report.

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

Subsequent Events

From 1 January 2021 to the date of the annual report, there was no non-financial event that may cause material effects on the results of the Company required to be disclosed.

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Executive Director

Mr. Xu Tao, aged 47, graduated from Beijing Jiaotong University with a bachelor's degree in Economic Information Management in 1997. From 1998 to 2010, Mr. Xu Tao worked at Unilever Company, successively served as financial management, sales operations manager, senior finance manager of product business and supply chain department, head of audit in Greater China and finance director of catering service department. From 2010 to 2014, Mr. Xu Tao worked at Rentokil Initial, where he served as excellence executive finance director in Asia and president of Greater China. From 2014 to September 2017, Mr. Xu Tao worked at Mannings China, where he has served as executive director of China and president of China. Mr. Xu Tao has extensive experience in corporate management and operations and finance of retail sector. Mr. Xu Tao has been an executive director of the Company since 27 September 2017 and has been the general manager of the Company since then.

Non-executive Directors

Mr. Ye Yong-ming, aged 56, holds a master's degree in Business Administration from China Europe International Business School and now the secretary of Party Committee, the chairman of the board of directors of Bailian Group Co.,Ltd. (“Bailian Group”). He served successively as the deputy general manager, general manager and deputy secretary of Party Committee of SAIC Sales Co., Ltd. (上海汽車工業銷售總公司), executive manager of Shanghai Volkswagen Co., Ltd., general manager of SAIC-Volkswagen Sales Co., Ltd. (上汽大眾汽車銷售有限公司), vice president of Shanghai Automotive Industrial (Group) Co., Ltd., vice president of Shanghai Automotive Industrial Corporation Motor (上海汽車集團股份有限公司, a company listed on the Shanghai Stock Exchange with stock code 600104), general manager and director of SAIC General Motors Corporation Limited. Mr. Ye has been the deputy secretary of Party Committee and president of Bailian Group from August 2013 and has been the secretary of Party Committee and chairman of the board of directors of Bailian Group since September 2015, and also held the position of president of Bailian Group from September 2015 to April 2017. He has been the chairman of the board of directors of Shanghai Bailian Group Co.,Limited. (“Shanghai Bailian”), a company listed on the Shanghai Stock Exchange with stock code 600827 since December 2015. Mr. Ye has been a non-executive director of the Company and the chairman of the Board since 17 November 2015.

Ms. Xu Zi-ying, aged 52, senior economist, graduated from the Department of Management Engineering of Shanghai Jiaotong University with a master's degree in Industry Management Engineering and is now the deputy secretary of the Party Committee, president and director of Bailian Group. Ms. Xu Zi-ying served successively as deputy director and director of the High Technology Industry Development Department of Shanghai Development Planning Commission, director of the High Technology Industry Department of Shanghai Development and Reform Commission, deputy chief economist and director of the High Technology Industry Department of Shanghai Development and Reform Commission, vice president of Shanghai Electric (Group) Company and deputy director and a member of the Party Committee of the Shanghai Municipal Commission of Economy and Information. Ms. Xu Zi-ying has been the deputy secretary of the Party Committee, president and director of Bailian Group since April 2017. She has been the vice chairman of Shanghai Bailian and the chairman of Shanghai First Pharmaceutical Co., Ltd. ("First Pharmaceutical", 上海第一醫藥股份有限公司, a company listed on the Shanghai Stock Exchange with stock code 600833) since June 2017. Ms. Xu Zi-ying has been a non-executive director of the Company and the vice chairman of the Board since 12 June 2017.

Mr. Xu Hong, aged 47, graduated from the Department of Physics of Fudan University with a bachelor's degree in Science and is a member of the Chinese Institute of Certified Public Accountants (CICPA). He is now working at Alibaba Group Holding Limited ("Alibaba Group") as Deputy CFO. Before joining Alibaba Group, Mr. Xu Hong worked in PricewaterhouseCoopers (PwC) and became a partner of PwC in July 2007. Mr. Xu is also a director of DSM Grup Danismanlik Iletisim ve Satis Ticaret Anonim Sirketi, C2 Capital Partners GP Limited, Shanghai Ego New Retail Network Technology Co., Ltd., RT-MART Holding Limited, Kangcheng International Limited and Kangcheng Investment (China) Co., Ltd., a non-independent director of Suning Holdings Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002024), a non-executive director of Alibaba Health Information Technology Limited (a company listed on the Stock Exchange with stock code HK.0241) and Red Star Macalline Group Corporation Ltd. (a company listed on both of the Stock Exchange and the Shanghai Stock Exchange with stock code HK.1528 and 601828 respectively), a non-independent director of Meinian Onehealth Healthcare Holdings Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002044), a non-executive director of Alibaba Pictures Group Limited (a company listed on both the Stock Exchange and the Singapore Exchange with stock code HK.1060 and S91, respectively), a non-executive director of Sun Art Retail Group Ltd. (a company listed on the Stock Exchange with stock code HK.6808) and a supervisor of Ant Technology Group Co., Ltd.. Mr. Xu Hong has been a non-executive director of the Company since 28 August 2018.

Mr. Qian Jian-qiang, aged 59, is a postgraduate in Economic Management of Graduate School of Party School of the Central Committee of C.P.C. Mr. Qian has been the general manager and secretary of the Party Committee of Shanghai Bailian from June 2015 to May 2020 and a director of Shanghai Bailian from June 2015 to June 2020. Mr. Qian has been the chairman of the supervisory committee of Shanghai Bailian since June 2020. Mr. Qian once worked in the Organization & HR Department of Shanghai Foreign Supply Co., Ltd. (上海對外供應公司), and has been a manager of the Department Store of Shanghai Friendship Store, general manager of Shanghai Friendship Supply Co., Ltd. (上海友誼供貨有限公司), a director and general manager of Shanghai Friendship South Mall Co., Ltd. (上海友誼南方商城有限公司), assistant to the general manager of business department of the Shopping Centre Department of Bailian Group, assistant to the general manager of Shanghai Bailian, vice general manager of Shanghai Bailian, vice general manager of Shanghai Friendship Incorporated Company ("Shanghai Friendship", 上海友誼集團股份有限公司, now known as Shanghai Bailian), vice general manager and deputy secretary of the Party Committee of Shanghai Bailian. Mr. Qian possesses abundant experience in operation and management of retail commerce. Mr. Qian has been appointed as a non-executive director of the Company since November 2015 and retired as a non-executive director of the Company on 22 June 2020.

Ms. Zhang Shen-yu, aged 48, graduated from Shanghai Second Polytechnic University with a bachelor's degree in Business Administration and is currently the secretary of Party Committee and general manager of Shanghai Bailian. Ms. Zhang served successively as the manager of the market operation department of the department store department of Bailian Group, deputy general manager of the Investment Attraction and Procurement Headquarters of Shanghai Bailian, deputy general manager of Shanghai Youyicheng Shopping Center Co., Ltd. and general manager of Orient Shopping Center Nandong Store of Shanghai Bailian Department Store Management Co., Ltd. From June 2014 to June 2015, she served as the assistant general manager of Shanghai Bailian. From June 2015 to May 2020, she worked with Bailian Omni-channel Electronic Commerce Co., Ltd. as deputy general manager, deputy secretary of Party Committee and general manager successively. She has been the secretary of Party Committee and executive deputy general manager (in charge) of Shanghai Bailian since May 2020, and served as the general manager of Shanghai Bailian since March 2021. Ms. Zhang was appointed as a non-executive director of the Company on 22 June 2020.

Ms. Zheng Xiao-yun, aged 58, is a senior accountant and holds a master's degree in Accounting of Chinese University of Hong Kong. She has been the financial director and secretary of the board of Shanghai Bailian from June 2015 to May 2020 and has been the director of Shanghai Bailian from June 2017 to June 2020. Ms. Zheng once served as an accountant, assistant to the manager and vice manager of the Financial Department in Shanghai Forever Co., Ltd. (上海永久股份有限公司). She has served successively as financial director of Shanghai Advertisement & Decoration Co., Ltd. (上海市廣告裝潢公司), vice manager of the Financial Department of Shanghai Yibai (Group) Co., Ltd. (上海一百(集團)有限公司, financial director of Shanghai Quanfang Investment Management Co., Ltd. (上海全方投資管理有限公司), financial director of the Comprehensive Business Department of Shanghai Bailian Group Co., Ltd (上海百聯集團有限公司), financial director of Shanghai Bailian Investment Management Co., Ltd. (上海百聯投資管理有限公司), financial director of Shanghai Bailian Group Asset Operation & Management Co., Ltd. (上海百聯集團資產經營管理有限公司), director of Shanghai Baihong Trading Co., Ltd. (上海百紅商業貿易有限公司), chairman of Hualian Group Asset Trust Co., Ltd. (華聯集團資產託管有限公司) and financial director of Bailian E-commerce Co., Ltd. (百聯電子商務有限公司). Ms. Zheng possesses abundant experience in financial management. Ms. Zheng has been appointed as a non-executive director of the Company since November 2015 and retired as a non-executive director of the Company on 22 June 2020.

Mr. Dong Xiao-chun, aged 56, senior accountant, holds a master's degree in Business Administration from Shanghai Jiaotong University and is currently the financial director of Shanghai Bailian. Mr. Dong Xiao-chun worked in Hualian Shangsha and Shanghai Hualian Supermarket Company in his early years. He served successively as the financial director of Hualian Supermarket Co., Ltd., financial director of the department store department of Bailian Group and financial director and secretary of the board of directors of Shanghai Bailian Group. From September 2011 to June 2015, he served as the financial director of Shanghai Friendship (now renamed as "Shanghai Bailian"), and also held the position of the secretary of the board of directors from February 2012. From June 2015 to May 2020, he served as the financial director of Bailian Electronic Commerce Co., Ltd. (renamed as "Bailian Financial Services Co., Ltd." from January 2019). Mr. Dong Xiao-chun has been the financial director of Shanghai Bailian since May 2020 and a director of Shanghai Bailian since June 2020. Mr. Dong Xiao-chun was appointed as a non-executive director of the Company on 22 June 2020.

Mr. Wong Tak Hung, aged 69, is the president of Wong Sun Hing Investment Co., Ltd. (王新興投資有限公司). From 1970 to 1978, Mr. Wong was the manager of Sun Hing Textile Factory (新興毛紡織造廠), and from 1978 to 1990, he was the managing director of Wong Sun Hing Company Limited (王新興有限公司). Since 1990, he has been the president of Wong Sun Hing Group (王新興集團). He has also been the chairman of Shenzhen Xin Xing Entrepreneurship Guarantee Company Limited (深圳新興創業擔保有限公司) since 2003 and he has been the chairman of Guangzhou Wanling Properties Company Limited (廣州市萬菱置業有限公司) since 2004. Since 2005, he has also been the chairman of Wanling Industrial (Guangdong) Company Limited (萬菱實業(廣東)有限公司). Mr. Wong joined the Group in April 1997, and he has over 30 years of business experience.

Independent Non-executive Directors

Mr. Xia Da-wei, aged 68, holds a master's degree in Economics and is a professor and PhD tutor. From July 1985 to September 2000, Mr. Xia served as a teacher, the assistant principal and the vice president of Shanghai University of Finance and Economics. From September 2000 to August 2012, he served as the dean of Shanghai National Accounting Institute. Mr. Xia served as a professor, PhD tutor and director of the academic committee of Shanghai National Accounting Institute since August 2012. Mr. Xia has also served as the vice president of China Industrial Economics Association, the consultant expert of Accounting Standards Committee of the Ministry of Finance, the vice president of Chinese Accounting Association, the vice president of China Association of Chief Financial Officers, the president of Shanghai Accounting Association, the honorary professor of Chinese University of Hong Kong, adjunct professor of School of Management of Fudan University, and member of the expert committee of listed companies of Shanghai Stock Exchange, and he enjoys government subsidies from the State Council. Mr. Xia has served as an independent director of Guotai Junan Co., Ltd. (國泰君安股份有限公司) (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange with stock code 601211 and HK.2611, respectively) since May 2016. Mr. Xia has served as an independent director of Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公 司) (a company listed on the Shanghai Stock Exchange with stock code 603885) since July 2017. Mr. Xia has been an external supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 601166) since May 2016. Mr. Xia served as an independent director of Baoshan Iron and Steel Co., Ltd. (寶山鋼鐵股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600019) from April 2013 to September 2019. Mr. Xia has been an independent non-executive director of the Company since September 2004.

Mr. Lee Kwok Ming, Don, aged 63, is a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and an associate of the Chartered Institute of Management Accountants in the United Kingdom (英國特許管理會計師公會) and holds a master's degree of science in Business Administration from the University of Bath (英國巴富大學). He is now an independent director of Bossini International Holdings Limited (a company listed on the Stock Exchange with stock code HK.0592) and Want Want China Holdings Limited (a company listed on the Stock Exchange with stock code HK.0151). Before his retirement in April 2020, he served as the financial director of Stella International Holdings Ltd. (九興控股有限公司, a company listed on the Stock Exchange with stock code HK.1836). Mr. Lee has held the position of financial director in various listed companies of the Stock Exchange and has more than 30 years of financial management experience and extensive experience in mergers and acquisitions, as well as corporate finance. He joined the Group in May 2003.

Mr. Chen Wei, aged 59, is the Professor of Management Practice at Peking University HSBC Business School (PHBS) and Director of Centre of Innovation and Entrepreneurship at PHBS. Prior to joining PHBS, Mr. Chen was the senior vice president for Didi Chuxing. Before Didi Chuxing, Mr. Chen served as executive vice president and Chief Human Resource Officer (CHRO) at Vanke Enterprises Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000002). Mr. Chen Wei started up the Hay Group consulting business in China and later served as managing director for Greater China and North East Asia. He became the global executive team member in 2009 and board member in 2013 of Hay Group. Mr. Chen Wei also worked for Coca Cola and Nike in marketing and general management earlier in his business career. Mr. Chen Wei holds a bachelor's degree in Psychology from East China Normal University and a master's degree in Workforce Learning and Development from Pennsylvania State University in USA. He has also graduated from AMP (Advanced Management Program) from Harvard Business School. Mr. Chen has been an independent non-executive director of the Company since 28 March 2018.

Mr. Zhao Xin-sheng, aged 47, is a Charted Professional Accountant (CPA) of Canada and Certified Information System Auditor (CISA). He has been the managing director of Shanghai Think Bridge Business Consulting Co., Ltd. since October 2002. From September 1996 to September 2002, Mr. Zhao worked at the Audit and Business Advisory Department of Arthur Andersen, mainly responsible for the financial statement auditing of listed companies and multinational enterprises and business consulting in corporate risk and control. From 2010 to 2018, Mr. Zhao served as an independent director of Shanghai Yimin Commercial Group Co., Ltd. He has served as an independent director of Shanghai Bright Power Semiconductor Co., Ltd. (上海晶豐明源半導體股份有限公司)(a company listed on Shenzhen Stock Exchange GEM with stock code 688368) since 22 May 2020. Mr. Zhao graduated from Shanghai University of Finance and Economics in 1996 with a bachelor's degree in Accounting. He has rich experience in corporate accounting and financial consulting, human resources allocation, marketing, public relation, corporate merger and acquisition, risk management and internal control as well as legal compliance. Mr. Zhao has been an independent non-executive director of the Company since 29 March 2019.

Supervisors

Mr. Yang A-guo, aged 56, senior accountant, holds a postgraduate degree in Economics and Management of Party School of Central Committee of C.P.C, and is currently the financial director of Bailian Group. He was head of the finance department, assistant minister, vice minister and minister of the finance department of Shanghai Friendship (Group) Co., Ltd., and was the deputy minister and minister of the financial management department of Bailian Group. He has been the financial director of Bailian Group since August 2017. Mr. Yang has been the chairman of the supervisory committee of Shanghai Bailian from June 2017 to June 2020 and the chairman of the supervisory committee of Shanghai Material Trading Co., Ltd. (上海物資貿易股份有限公司, a company listed on Shanghai Stock Exchange with stock code 600822) since June 2017. Mr. Yang has been a supervisor of the Company and the chairman of the supervisory committee of the Company since 28 November 2017.

Ms. Tao Qing, aged 56, senior accountant, holds a postgraduate degree in Economics and Management of Party School of Central Committee of C.P.C (中央黨校). Ms. Tao successively served as clerk, section member, chief member and deputy section chief of the Finance Department of Shanghai Hualian Mansion, the manager of the finance division of Shanghai New Hua Lian Mansion Co., Ltd. (上海新華聯大廈有限公司)("New Hua Lian Mansion"), the deputy manager and manager of the finance department of Shanghai Hualian Co., Ltd and the chief financial officer of New Hua Lian Mansion, and the chief financial officer of Shanghai Jinzhao International Trading Co., Ltd. (上海金照國際商貿有限公司). Ms. Tao has been the director assistant, deputy director and director of the auditing center and senior director of audit and risk control of Bailian Group from January 2004 to June 2020. Ms. Tao has been the chairman of the supervisory committee of First Pharmaceutical from June 2017 to October 2020 and a supervisor of Shanghai Bailian from June 2017 to June 2020. Ms Tao has been appointed as a supervisor of the Company since June 2014 and retired as a supervisor of the Company on 22 June 2020.

Mr. Li Feng, aged 50, is a senior auditor and holds a master's degree of Public Administration at the School of International Relations and Public Affairs of Fudan University. He is currently the senior director of audit and risk control center of Bailian Group. From 1993 to March 2020, Mr. Li Feng worked in the Shanghai Audit Bureau, successively served as staff of Public Transport Audit Office, deputy chief staff member and chief staff member of the Foreign Investment Audit Office, the deputy director of the Law Department (Review and Hearing Office), the deputy director, third-level investigator and second-level investigator of the Law Department (Hearing Office) of the Shanghai Audit Bureau. Mr. Li Feng has served as the senior director of the audit and risk control center of Bailian Group since June 2020. a supervisor of Shanghai Bailian since June 2020 and the chairman of the supervisory committee of First Pharmaceutical since October 2020. Mr. Li Feng was appointed as a supervisor of the Company on 22 June 2020.

Ms. Tang Hao, aged 50, is a member of the Communist Party of China, with a master's degree majoring in the World Economy from the Graduate School of the Party School of the Central Committee of C.P.C. From July 1991 to December 2002, Ms. Tang worked in the second chemical supply company of Shanghai Chemical Industry Corporation, serving as the statistician, office clerk, and assistant to general manager. From December 2002 to December 2006, Ms. Tang worked in Shanghai Jingtong Chemical Co., Ltd., serving as the deputy manager of the first branch company, deputy manager of the second branch company and deputy manager of the plastic branch company. From December 2006 to September 2014, Ms. Tang worked in Shanghai Jingtong Chemical Development Co., Ltd., serving as the director of general office from December 2006 to February 2008, the assistant to general manager and director of general office from February 2008 to August 2009, the deputy general manager from August 2009 to May 2010, the deputy general manager, the deputy secretary of the Party branch and the secretary of the Discipline Commission from June 2010 to April 2012, the secretary of the Party Committee, the deputy general manager and the secretary of the Discipline Commission from April 2012 to September 2014. From September 2014 to October 2017, she served as the member of the Party Committee of Shanghai Modern Logistics Investment and Development Co., Ltd. and the executive director, the secretary of the Party branch and the general manager of Shanghai Jingtong Chemicals Development Co., Ltd. Since November 2017, Ms. Tang has been appointed as the deputy secretary of the Party Committee, the secretary of the Discipline Commission and president of labour union of the Company, and secretary of the Party Committee of Shanghai Lianhua Quik Convenience Stores Co., Ltd. Since October 2019, Ms. Tang has been the presiding deputy secretary of the Party Committee of the Company. Ms. Tang has been appointed as a supervisor of the Company on 11 December 2019.

Joint Company Secretaries

Ms. Hu Li-ping, aged 56, graduated from Macau University of Science and Technology with a Master's Degree in Business Administration in September 2003. She is an accountant as approved by the Ministry of Finance of the PRC in 1998. She served as the deputy manager, manager of Financial Department and the chief financial officer of Shanghai Hualian Supermarket Company and Hualian Supermarket Co., Ltd from February 1993 to November 2013. Ms. Hu was also the chief financial officer of Shanghai Lianhua Supermarket Development Co., Ltd. from June 2010 to November 2013. She has been the chief of Financial Administration Department of the Company from November 2013 to April 2016. She was also appointed as the chief of Securities Affairs Department of the Company from August 2014 to July 2015. Ms. Hu has been appointed as joint company secretary of the Company since 16 October 2014 and has been chief financial officer of the Company since June 2015. Ms. Hu was appointed as company secretary of the Company on 22 December 2017. Ms. Hu retired as the chief financial officer of the Company, the secretary of the Board of the Company, the authorised representative of the Company under Rule 3.05 of the Listing Rules and the authorised representative of the e-submission system of the Stock Exchange on 10 June 2020 and retired as the company secretary of the Company on 2 July 2020.

Ms. Xu Xiao-yi, aged 43, is a senior accountant and certified public accountant, holds a master's degree in Business Administration from Shanghai University of Finance and Economics. Ms. Xu Xiao-yi currently serves as deputy financial officer, the secretary of the Board, the authorised representative of the Company under Rule 3.05 of the Listing Rules and the authorised representative of the e-submission system of the Stock Exchange. She successively served as the head of the finance department of Shanghai Friendship Department Store Co., Ltd. and the head of the finance department of the shopping center division of Bailian Group. From February 2006 to August 2019, she worked in Shanghai Bailian and successively served as the manager of the tax management department of the finance headquarters, assistant to the director of the audit center, deputy director of the audit center, director of the audit center and director of the audit and risk control department. She served as the executive deputy director of the financial management department of Bailian Group from August 2019 to May 2020. Ms. Xu Xiao-yi was appointed as a joint company secretary of the Company on 2 July 2020.

Ms. Leung Shui Bing, aged 44, is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from the University of Bradford in the United Kingdom and a master's degree in Corporate Governance from The Open University of Hong Kong. She is a Chartered Secretary and Chartered Corporate Governance Professional, and was admitted as an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Leung was appointed as a joint company secretary of the Company on 2 July 2020.

Senior Management

Mr. Chong Xiao-bing, aged 56, graduated from Beijing Union University with a college degree majoring in Mechanical Design and Manufacturing. Mr. Chong started his career in 1985. Mr. Chong has been a technician of Far East Instrument Co., Ltd., deputy director of the Electric Instrument Research Office of China Coal Research Institute, and consultant of ICC Business Consulting Company. Mr. Chong has worked at Wumart Group since 1997, and has been the store manager, regional manager, development director, operation director, marketing director, deputy general manager of Beijing Wumei Supermarket Co., Ltd., vice president of Wumart Group and general manager of East China Region, etc. Mr. Chong has been working in Wumart Group for 22 years. He has been in charge of purchasing, operation, marketing, investment promotion, planning and other fields. He has rich experience in operation and management of retail chain enterprises. Mr. Chong has strong task management ability, self-confidence and is hardworking with strong execution ability, which can ensure the powerful advancement of target tasks. Mr. Chong was appointed as the executive deputy general manager of the Company in August 2019.

Mr. Liang Bao-long, aged 56, is a senior operator and a logistician. Mr. Liang graduated from Tongji University majoring in Management Engineering. From January 1999 to December 2001, he pursued a postgraduate degree at Shanghai Academy of Social Sciences, majoring in Economics. From July 1984 to February 2003, Mr. Liang was a deputy section chief of the catering department, a deputy section chief and section chief of the general affairs office, and manager of the logistics service centre of Shanghai Materials & Equipment School (上海市物資學校). From February 2003 to March 2012, he was the assistant to general manager and deputy general manager of Shanghai Modern Logistics Development & Investing Co., Ltd. (上海現代物流投資發展有限公司). He has concurrently worked as the general manager and deputy secretary of Party general branch of Shanghai Changqiao Logistics Co., Ltd. (上海長橋物流有限公司), and the chairman of board and the secretary of the Party Committee of Shanghai Bailian Distribution Co., Ltd. (上海百聯配送實業有限公司). He has been the deputy general manager of the Company since March 2012.

Ms. Zhang Hui-qin, aged 47, held a master's degree in Quality Management of the Hong Kong Polytechnic University. Since July 2015, she has been vice-chairman, secretary of the Party Committee and general manager of Hangzhou Lianhua Huashang Group Co., Ltd. From August 1996 to June 2003, Ms. Zhang worked with Jiayou Supermarkets of Hangzhou Department Stores Company as deputy superintendent of operation department, store manager of Wensan Store, chief of Qingchun Store and vice manager of operation department. From July 2003 to June 2016, Ms. Zhang worked with Hangzhou Lianhua Huashang Group Co., Ltd. as manager of operation department, assistant to the general manager, deputy general manager, standing deputy general manager, general manager, secretary of the Party Committee and vice chairman. She has abundant operation and management experience in the retail commercial field. She has been appointed as deputy general manager of the Company since June 2016.

Mr. Dong Gang, aged 42, graduated from Wuchang University of Technology in 2015 with a bachelor's degree. From September 2003 to July 2015, Mr. Dong Gang worked for Tesco China. From September 2003 to March 2006, he served as store general manager, purchasing manager, regional fresh commissioner in Dalian; from March 2006 to November 2008, he was the regional general manager of Shenyang; from November 2008 to May 2010, he was chief operating officer of Shandong Region; from May 2010 to June 2012, he served as chief operating officer of North China Region; from June 2012 to July 2015, he served as chief operating officer of Northeast Region. From November 2015 to April 2017, Mr. Dong Gang acted as head of store operations in Shenzhen Shunfeng Commercial Co., Ltd. Mr. Dong Gang has been appointed as deputy general manager of the Company since September 2017.

Mr. Wang Song, aged 38, holds a bachelor's degree in Management from Tiangong University. Previously, from April 2004 to March 2006, Mr. Wang Song served as the general ledger cost supervisor of Southseas Oil & Fats Industrial (Chiwan) Ltd.. From March 2006 to December 2009, he served as the financial manager of Huawei Technologies Co., Ltd.. From December 2009 to June 2012, he served as the head of the financial sharing service center of Yihai Kerry Investment Co., Ltd.. From June 2012 to July 2015, he served as the financial director of China District of BreadTalk Group (a company listed in Singapore with stock code BRET). From July 2015 to July 2017, he served as the financial director of Shanghai Phicomm Communication Co., Ltd.. From August 2017 to July 2018, he served as the financial director of Shanghai Hexi Investment Co., Ltd.. From July 2018 to February 2019, he served as the senior financial director of Shanghai Yiguo E-Commerce Co., Ltd. From February 2019, he has served as the head of the integrated financial team of the financial department of Shanghai Hema Network Technology Co., Ltd. Mr. Wang Song has worked in the fields of fast-moving consumer goods, traditional retail chains, and online and offline new retail for nearly 16 years. He has extensive experience in financial team management, construction of financial system framework, and reform in the financial management driven by the capability construction of middle office. Mr. Wang Song has been appointed as the chief financial officer of the Company since 10 June 2020.

Shareholding Structure

20.03%

SHANGHAI BAILIAN GROUP CO., LIMITED

25.87%

BAILIAN GROUP CO., LTD.

33.28%
H SHARES

2.82%
WONG SUN HING INVESTMENT CO., LTD

18.00%
ALIBABA (CHINA) TECHNOLOGY CO., LTD

The Board is pleased to present to the Shareholders the report of the Company for the year ended 31 December 2020.

Principal Activities and Business Review

The principal activities of the Group include the operation of hypermarkets, supermarkets and convenience stores in the PRC, mainly under four major brands of "Century Mart", "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik". The principal activities and other particulars of the subsidiaries are set out in note 22 and note 51 to the consolidated financial statements of the annual report.

Further discussion and analysis of these activities mentioned above, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 20 to 43 of the annual report. These discussions form part of this directors' report.

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

Major Suppliers and Customers

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

	2020 percentage	2019 percentage
Purchases		
Largest supplier	**2.05**	2.12
Five largest suppliers	**7.33**	7.06
Sales		
Largest customer	**0.11**	0.09
Five largest customers	**0.41**	0.38

During the year ended 31 December 2020, to the best knowledge of the Directors, neither the Directors, Supervisors, their respective associates, nor any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued share capital of the Company) had any direct or indirect interest in the share capital of the Group's suppliers and customers mentioned above.

The analysis of the key relationship with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends can be found in the Environmental, Social and Governance Report as set out on pages 222 to 272 of the annual report.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on pages 18 to 19 of the annual report.

Accounts

The audited results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 134 of the annual report.

The financial condition of the Group as at 31 December 2020 is set out in the consolidated statement of financial position on pages 135 to 136 of the annual report.

The cash flow of the Group for the year ended 31 December 2020 is set out in the consolidated statement of cash flow on pages 138 to 139 of the annual report.

Dividend Distribution

The Company has adopted a policy on dividend payment in accordance with code provision E.1.5 of the Corporate Governance Code. The decision to pay dividends will depend on, among other things, the Company's financial results, current and future business operations, liquidity and capital requirements, financial position and other factors deemed relevant by the Board. The Company will regularly review the dividend policy.

The Board recommends not to distribute final dividend for the year ended 31 December 2020.

Reserves

Details of the movements in reserves during the period under review are set out in the consolidated statement of changes in equity on page 137 of the annual report.

Fixed Assets

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

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB451,994.

Bank Loans, Overdrafts and Other Borrowings

As at 31 December 2020, the Group had no other bank borrowings other than the bank borrowings of RMB20 million incurred by a non-wholly owned subsidiary.

Capitalised Interest

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

Listing of Shares and Changes

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

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

The Company issued 8 additional shares to the Shareholders whose names appeared on the register of members of the Company on the record date, i.e. 28 June 2011, for every 10 shares held by them by way of capitalization of the capital reserve fund on 8 September 2011. The total number of shares of the Company in issue increased from 622,000,000 shares to 1,119,600,000 shares. H shares in issue increased from 207,000,000 shares to 372,600,000 shares, representing approximately 33.28% of the Company's total share capital. Please refer to the circular of the Company dated 13 May 2011 for details of the issue.

Information on the performance of H shares of the Company in 2020:

Highest trading price per H share during the year	HK$1.65
Lowest trading price per H share during the year	HK$1.00
Total turnover volume of H shares during the year	137 million shares
Closing price per H share as at 31 December 2020	HK$1.44

Public Float

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

Share Capital

As at 31 December 2020, the classes and number of shares of the Company are as follows:

Class of shares	Number of issued shares ('000 shares)	Percentage (%)
Domestic shares	**715,397.4**	63.90
Attributable to:		
Bailian Group Co., Ltd.	**289,661.4**	25.87
Shanghai Bailian Group Co., Limited	**224,208**	20.03
Alibaba (China) Technology Co., Ltd.	**201,528**	18.00
Unlisted foreign shares	**31,602.6**	2.82
Attributable to:		
Wong Sun Hing Investment Company Limited	**31,602.6**	2.82
H shares	**372,600.0**	33.28
Total	**1,119,600.0**	100.00

Number of Shareholders

As at 31 December 2020, details of Shareholders as recorded in the register of members of the Company are as follows:

Total number of Shareholders	30
Shareholders of domestic shares	3
Shareholders of unlisted foreign shares	1
Shareholders of H shares	26

Legal Status of Unlisted Foreign Shares

Set out below is the summary of legal opinions given by Grandall Law Firm (Shanghai) on the rights attached to unlisted foreign shares (the "Unlisted Foreign Shares"). Although the Prerequisite Clauses for Articles of Association of Companies to be Listed Overseas (the "Prerequisite Clauses") provides the definitions of "domestic shares", "foreign shares" and "overseas listed foreign shares" (these definitions have been adopted in the Articles of Association of the Company (the "Articles of Association")), the rights attached to the Unlisted Foreign Shares, which are subject to certain restrictions on transfer as referred to the Prospectus and may become H shares of the Company (the "H Shares") upon obtaining the requisite approvals from, among others, the China Securities Regulatory Commission (the "CSRC") and the Stock Exchange, are not expressly provided under the existing PRC laws or regulations. However, the Company's creation of Unlisted Foreign Shares and the subsistence of the Unlisted Foreign Shares does not contravene any PRC laws or regulations.

At present, there are no express laws and regulations in the PRC governing the rights attached to the Unlisted Foreign Shares. Grandall Law Firm (Shanghai) advised that until new laws or regulations are introduced in this aspect, holders of the Unlisted Foreign Shares shall be treated the same as holders of domestic shares (the "Domestic Shares") of the Company (in particular, in respect of the rights to attend and vote at general meetings and class meetings and to receive notice of such meetings in the same manner as holders of Domestic Shares), except that the holders of the Unlisted Foreign Shares enjoy the following rights to which the holders of Domestic Shares are not entitled:

(a) to receive dividends declared by the Company in foreign currencies; and

(b) in the event of winding up of the Company, to remit their respective shares of the remaining assets (if any) of the Company out of the PRC in accordance with the applicable foreign exchange control laws and regulations of the PRC.

No provision is made for the settlement of disputes between holders of Unlisted Foreign Shares and holders of Domestic Shares in the Prerequisite Clauses or the Articles of Association. According to the PRC laws, in case of disputes between holders of Unlisted Foreign Shares and holders of Domestic Shares and the parties failed to reach any settlement after negotiation or mediation, either party may choose to resort to an arbitration commission in the PRC or any other arbitration commission to conduct arbitration for dispute resolution pursuant to a written arbitration agreement. If there is no prior arbitration agreement and the parties are not able to reach an agreement in respect of their dispute, either party may initiate legal proceedings in a competent PRC court.

According to the requirements under Clause 163 of the Prerequisite Clauses and the Articles of Association, in general, disputes between holders of H Shares and holders of Domestic Shares are required to be settled through arbitration. Such dispute resolution requirements are also applicable to disputes between holders of H Shares and holders of Unlisted Foreign Shares.

As advised by Grandall Law Firm (Shanghai), the Unlisted Foreign Shares can be converted into new H Shares subject to satisfaction of the following conditions:

(a) the expiry of a period of one year from the date on which the Company was converted from a limited company into a joint stock limited company and listed on the Stock Exchange;

(b) approvals from the original approval authority or authorities in the PRC for the establishment of the Company obtained by holders of Unlisted Foreign Shares for the conversion of Unlisted Foreign Shares into H shares;

(c) approval from the CSRC obtained by the Company for the conversion of Unlisted Foreign Shares into new H Shares;

(d) approval granted by the Stock Exchange for the listing and trading of the new H Shares converted from the Unlisted Foreign Shares;

(e) approval granted by the Shareholders of the Company at a general meeting and the holders of H Shares, Domestic Shares and Unlisted Foreign Shares at their respective class meetings to authorize the conversion of Unlisted Foreign Shares into new H Shares in accordance with the Articles of Association; and

(f) full compliance with relevant PRC laws, rules, regulations and policies governing companies incorporated in the PRC and seeking permission for listing of shares outside the PRC and with the Articles of Association and any agreement among the Shareholders.

Upon satisfaction of all the conditions mentioned above and other conditions as may be imposed from time to time by the Stock Exchange, Unlisted Foreign Shares may be converted into new H Shares.

Disclosure of Interests

Directors, chief executive officer and Supervisors of the Company

As at 31 December 2020, other than Mr. Xia Da-wei (an independent non-executive Director) who held 8,694 ordinary shares of Shanghai Bailian (representing approximately 0.0005% of the total issued shares of Shanghai Bailian), none of the Directors, Supervisors or chief executive officer of the Company had any interest and short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are regarded or deemed to have under such provisions of the SFO), or interests and short positions which were required, pursuant to section 352 of the SFO, to be entered in the Company's register referred to therein, or interests and short positions which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules.

Substantial Shareholders

So far as the Directors are aware, as at 31 December 2020, the following persons (not being a Director, chief executive officer or Supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Class of shares	No. of domestic shares/unlisted foreign shares/H shares	Approximate percentage of total voting rights of the Company	Approximate percentage of voting rights of domestic shares and unlisted foreign shares	Approximate percentage of voting rights of H shares	Capacity of Interest
Shanghai Bailian (Note 1)	domestic shares	224,208,000	20.03%	30.01%	–	Beneficial owner
Alibaba Group Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao China Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao (China) Software Co., Ltd. (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Alibaba (China) Technology Co., Ltd. (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Beneficial owner
Bailian Group (Note 1)	domestic shares	513,869,400	45.90%	68.79%	–	Beneficial owner/Interest of corporation controlled
China Galaxy International Asset Management (Hong Kong) Co., Limited (Note 3)	H shares	54,588,000(L)	4.88%	–	14.65%(L)	Investment manager
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) (Note 3)	H shares	54,588,000(L)	4.88%	–	14.65%(L)	Interest of corporation controlled
Xu Zi-zuo	H shares	53,357,000(L)	4.77%	–	14.32%	Beneficial owner
Corornation Global Fund Managers (Ireland) Ltd	H shares	37,130,454(L)	3.32%	–	9.97%(L)	Investment manager
Julius Baer International Equity Fund	H shares	12,191,558(L)	1.09%	–	5.89%(L)	Beneficial owner

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

Notes:

1. As at 31 December 2020, Bailian Group Co., Ltd. ("Bailian Group") directly and indirectly holds approximately 53.16% of the shares in Shanghai Bailian Group Co., Limited ("Shanghai Bailian"). As at 31 December 2020, Shanghai Bailian held 224,208,000 shares of the Company. Thus, Bailian Group directly and indirectly holds approximately 513,869,400 shares of the Company, or 45.90% in proportion.

   As at 31 December 2020, (i) Mr. Ye Yong-ming, the Chairman and a non-executive Director, was the chairman of Bailian Group and the chairman of Shanghai Bailian; (ii) Ms. Xu Zi-ying, the Vice Chairman and a non-executive Director of the Company, was a director and the president of Bailian Group, the vice chairman of Shanghai Bailian and the chairman of Shanghai First Pharmaceutical Co., Ltd. (上海第一醫藥股份有限公司, "First Pharmaceutical"); (iii) Ms. Zhang Shen-yu, a non-executive Director, was a director and executive deputy general manager (in charge) of Shanghai Bailian; (iv) Mr. Dong Xiao-chun, a non-executive Director, was a director, the chief financial officer and the secretary of the board of Shanghai Bailian; (v) Mr. Yang A-guo, a supervisor of the Company, was the chief financial officer of Bailian Group and the chairman of the supervisory committee of Shanghai Material Trading Co., Ltd. (上海物資貿易股份有限公司); and (vi) Mr. Li Feng, a Supervisors of the Company, was the senior director of the auditing centre of Bailian Group,a Supervisors of Shanghai Bailian and the chairman of the supervisory committee of First Pharmaceutical.

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

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

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

Save as disclosed above, the Directors are not aware of any persons holding any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register pursuant to section 336 of the SFO as at 31 December 2020.

Competing Interests

As at 31 December 2020, according to the Listing Rules, other than the Directors disclosed below, none of the Directors had any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group.

Name of Director	Name of entity whose business are considered to complete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Xu Hong	Sun Art Retail Group Ltd.	hypermarket	Director

Ultimate Holding Company

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

Pre-emptive Rights

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

Management Contracts

No contracts for the management and administration of the whole or any substantial part of any business of the Company existed or was entered into during the year ended 31 December 2020.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2020.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

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

Directors and Supervisors

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

Executive Director:

Mr. Xu Tao

Non-executive Directors:

Mr. Ye Yong-ming *(Chairman)*
Ms. Xu Zi-ying *(Vice Chairman)*
Mr. Xu Hong
Mr. Qian Jian-qiang (Note1)
Ms. Zhang Shen-yu (Note2)
Ms. Zheng Xiao-yun (Note3)
Mr. Dong Xiao-chun (Note4)
Mr. Wong Tak Hung

Independent Non-executive Directors:

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

Supervisors:

Mr. Yang A-guo *(Chairman)*
Ms. Tao Qing (Note 5)
Mr. Li Feng (Note 6)
Ms. Tang Hao

Notes:

1. Mr. Qian Jian-qiang retired as a non-executive Director on 22 June 2020.
2. Ms. Zhang Shen-yu was appointed as a non-executive Director on 22 June 2020.
3. Ms. Zheng Xiao-yun retired as a non-executive Director on 22 June 2020.
4. Mr. Dong Xiao-chun was appointed as a non-executive Director on 22 June 2020.
5. Ms. Tao Qing retired as a Supervisor on 22 June 2020.
6. Mr. Li Feng was appointed as a Supervisor on 22 June 2020.

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

Directors' and Supervisors' Service Contracts

The Company has entered into service contract with each of the executive Director and independent non-executive Directors with a term ending on the date of conclusion of the annual general meeting of the Company for the year 2020, and such term is renewable subject to applicable laws. Neither the Directors, nor the Supervisors have a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' Interests in Contracts

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

Interest in Shares or Debentures Acquired by the Directors and Supervisors

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

Permitted Indemnity Provision

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

Directors' Remuneration

The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the remuneration packages of each Director, market rates and factors such as each Director's workload, working time and responsibility will be taken into account. In addition, factors comprising economic and market situations, individual contributions to the Group's results and development as well as individual's potential are considered when determining the remuneration packages of executive Directors. Please refer to note 13 to the consolidated financial statements of the Company for details of the Director's remuneration.

Independence of the Independent Directors

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

Highest Paid Individuals

All the five highest paid individuals of the Company during the period under review included one of the senior management of the Company. Details of their remuneration are set out in note 13 to the consolidated financial statements in this annual report.

Retirement Pension Schemes

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

Please refer to note 43 to the consolidated financial statements of the Company for details of the retirement pension schemes.

Change of Auditors

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

Significant Litigation

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

Connected and Related Party Transactions

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

(a) Connected and related party transactions

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Sales to fellow subsidiaries	**628,058**	456,197
Sales to other related parties	**1,956**	–
Purchases from fellow subsidiaries	**318,624**	81,160
Purchases from other related parties	**1,687**	4,498
Rental income from fellow subsidiaries	**43,185**	41,586
Commission income earned from fellow subsidiaries	**–**	234
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	**5,184**	5,752
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	**8,350**	8,325
Service fee charged by other related parties	**19,035**	–
Property management fee charged by fellow subsidiaries	**14,311**	14,205
Expenses relating to short-term leases charged by fellow subsidiaries	**–**	1,023
Interest expenses on lease liabilities charged by fellow subsidiaries	**152**	4
Interest income earned from a fellow subsidiary	**22,822**	32,122
Platform usage fee charged by fellow subsidiaries	**27,358**	19,887
Platform usage fee charged by other related parties	**142**	–
Logistics material rental fee charged by fellow subsidiaries	**2,456**	2,350
Logistics distribution service fee charged by fellow subsidiaries	**12,150**	1,379
Logistics distribution fee charged by the other related parties	**5,149**	1,557
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	**22,179**	19,058
Transaction amounts transferred from a fellow subsidiary's settlement account into the Group's relevant account upon redemption of membership points by the customers	**13,985**	14,161

Fellow subsidiaries referred above are other subsidiaries of Bailian Group.

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

(b) Related party transactions not falling into connected transactions

	2020 RMB'000	2019 RMB'000
Purchases from associates —Shanghai Gude Business Cooperation Company and Shanghai Sanming Taige Information Technology Co., Ltd.	3,658	4,855

Connected Transactions

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

Continuing Connected Transactions – Marketing Services Agreement

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

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

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

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

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

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

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

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

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

The Company anticipates that the transaction amounts payable by Hangzhou Taoxianda for the year ending 31 December 2020 will fall within the de minimis threshold and thus the transactions in 2020 under the Marketing Services Agreement are fully exempt.

The actual transaction amount under the Marketing Services Agreement for the year ended 31 December 2020 is nil.

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

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

The Company's subsidiaries entered into various Alipay Services Agreements (the "Alipay Services Agreements") with Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司,"Alipay") during the period from January 2016 to March 2019. Pursuant to the Alipay Services Agreements, Alipay agreed to act as the payment channel between the end customers and the Company's subsidiaries, and to charge the Company's subsidiaries service fees for providing payment services.

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

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

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

Recently, when renewing the existing Alipay Services Agreements and discussing with Alipay regarding other business cooperation, it has come to the attention of the Board that Alipay has become a connected person of the Company under Chapter 14A of the Listing Rules. In September 2019, Alibaba Group acquired 33% of the shares in Ant Group Co., Ltd. (螞蟻科技集團股份有限公司,"Ant Group"), the holding company of Alipay. Alibaba China is a substantial shareholder of the Company and Alibaba Group is the holding company of Alibaba China. Accordingly, Ant Group and Alipay are associates of Alibaba China and connected persons of the Company under Chapter 14A of the Listing Rules. So far as the Company was aware, the Company's subsidiaries had entered into various Alipay Services Agreements before Alipay became a connected person of the Company. The continuing transactions under such agreements have subsequently become continuing connected transactions of the Company after Alipay became a connected person of the Company under Chapter 14A of the Listing Rules.

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

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

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

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

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

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

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

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

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

Continuing Connected Transactions – Goods Supply Framework Agreement

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

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

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

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

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

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

The actual transaction amount under the Goods Supply Framework Agreement for the year ended 31 December 2020 is approximately RMB27,279 thousand.

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

Continuing Connected Transactions – Logistics and Services Framework Agreement

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

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

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

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

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

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

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

The actual transaction amount under the Logistics and Delivery Services Framework Agreement for the year ended 31 December 2020 is approximately RMB12,150 thousand.

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

Continuing Connected Transactions – Goods Procurement Framework Agreement

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

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

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

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

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

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

The actual transaction amount under the Goods Procurement Framework Agreement for the year ended 31 December 2020 is approximately RMB1,783 thousand.

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

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

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

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

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

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

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

On 3 April 2019, the Company entered into the Zhiguan Logistics and Delivery Services Framework Agreement (the "Zhiguan Logistics and Delivery Services Framework Agreement") with Shanghai Zhiguan Information Technology Co., Ltd. (上海止觀信息科技有限公司) ("Shanghai Zhiguan"), pursuant to which, Shanghai Zhiguan and its subsidiaries agreed to provide logistics and delivery services to the Company and its subsidiaries, for a term commencing from 3 April 2019 to 31 December 2021 (both days inclusive).

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

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

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

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

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

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

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

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

The actual transaction amount under the Qianhe Logistics and Delivery Services Framework Agreement for the year ended 31 December 2020 is approximately RMB15 thousand.

The actual transaction amount under the Zhiguan Logistics and Delivery Services Framework Agreement for the year ended 31 December 2020 is approximately RMB5,135 thousand.

Please refer to the announcements of the Company dated 3 April 2019 and 22 June 2020 for relevant details of the transaction.

Continuing Connected Transactions – Logistics and Delivery Services Framework Agreement

On 8 October 2018, the Company entered into the logistics and delivery services framework agreement with Bailian Group (the "Logistics and Delivery Services Framework Agreement"), pursuant to which, Bailian Group agreed to provide logistics and delivery services to the Group for the three years commencing from 1 January 2018 to 31 December 2020 (both days inclusive).

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

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

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

The respective maximum annual transaction amounts payable by the Company for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 under the Logistics and Delivery Services Framework Agreement are RMB16 million, RMB20 million and RMB24 million, respectively.

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

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

The actual transaction amount under the Logistics and Delivery Services Framework Agreement for the year ended 31 December 2020 is nil.

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

The respective maximum annual transaction amounts payable by the Group for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 under the Logistics and Delivery Services Framework Agreement are RMB16 million, 25 Million and 35 million.

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

Please refer to the announcements of the Company dated 8 October 2018 and 24 December 2020 for relevant details of the transaction.

Continuing Connected Transactions – Logistics Resources Leasing Framework Agreement

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

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

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

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

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

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

The actual transaction amount under the Logistics Resources Leasing Framework Agreement for the year ended 31 December 2020 is approximately RMB2,456 thousand.

Please refer to the announcement of the Company dated 8 October 2018 for relevant details of the transaction.

Continuing Connected Transactions – Modified Leasing Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

The actual rental paid by Century Lianhua Jinshan under the Modified Leasing Agreement for the year ended 31 December 2020 is approximately RMB5,009 thousand.

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

Continuing Connected Transactions – Financial Services Agreement

On 8 October 2018, the Company, Bailian Group and Bailian Group Finance Co., Ltd. (百聯集團財務有限責任公司)("Bailian Finance") entered into the financial services agreement (the "Financial Services Agreement") pursuant to which Bailian Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein for a term commencing from 1 January 2019 to 31 December 2021.

The major terms of the agreement are set out as follows:

1. Deposit cap: the maximum daily balance of the Group's deposits with Bailian Finance for each of the three years ending 31 December 2021 is RMB1.2 billion (including any interest accrued therefrom).

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

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

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

   (iii) the service fees to be charged by Bailian Finance for the provision of other financial services to the Group, other than the deposit and loan services, shall not be higher than the service fees charged by other financial institutions in the PRC for comparable services, and the total service fees to be charged by Bailian Finance for the provision of other financial services to the Group shall not be more than RMB1.5 million per year; and

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

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

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

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

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

As the loan services to be provided by Bailian Group to the Group are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

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

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

The maximum daily deposit balance placed by the Group in Bailian Finance under the Financial Service Agreement for the year ended 31 December 2020 was approximately RMB1,093,794 thousand (including any interest occurred).

Please refer to the announcement of the Company dated 8 October 2018 and the circular of the Company dated 26 October 2018 respectively for relevant details of the transactions.

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

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

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

The pricing for the supply of goods under the Supply of Goods Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market price of such goods from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable than those available from independent third parties.

Depending on the specific goods to be procured and the practices of Bailian Group and/or its associates, the actual payments for the sale of the goods under the Supply of Goods Framework Agreement are to be made on a monthly or agreed period basis (which shall be determined by the market practice of the payment period of such particular type of goods purchased and shall not be less favourable than those available from independent third parties). Details of payment terms shall be set out in the individual supply of goods contracts to be entered into between both parties with reference to the normal commercial terms of Bailian Group and/or its associates and on terms not less favourable than those available from independent third parties. In the event that such payment is made on an agreed period basis, the actual payment day shall be at least 15 days after the date of delivery of goods.

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

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

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

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

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

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

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

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

The actual transaction amount under the Procurement of Goods Framework Agreement for the year ended 31 December 2020 is approximately RMB322,948 thousand.

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

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

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

Please refer to the announcement of the Company dated 8 October 2018 and the circular of the Company dated 26 October 2018 for relevant details.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
Smart cards arrangement agreement	Each of the Company and Bailian Group has its own smart cards system which enables its customers to make purchases by using smart cards with prepaid values. Pursuant to the Smart Cards Arrangement Agreement, the parties agreed to accept all payments of purchases from the customers by using the smart cards issued by the other party within their respective sales networks.	Each party shall charge the other party a management service fee of not more than 0.5% of such transaction amounts which are attributable to the other party. Such percentage shall be determined by arm's length commercial negotiations between the relevant parties with reference to the gross margin level of companies in the market using smart cards system for settlement of customers' purchases, size of transaction, application conditions and business operation conditions and set out in the individual smart cards arrangement contracts. The fee payable under the Smart Cards Arrangement Agreement is to be made by cash on a monthly basis.	The maximum fee payable by Bailian Group to the Company for each of the three years ending 31 December 2021 is RMB20 million, whereas the maximum fee payable by the Company to Bailian Group for each of the three years ending 31 December 2021 is RMB20 million.	The fees paid by Bailian Group to the Company for the year ended 31 December 2020 is RMB5,184 thousand, whereas the fees paid by the Company to Bailian Group for the year ended 31 December 2020 is RMB8,350 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
	The relevant subsidiaries of the parties will enter into individual smart cards arrangement contracts setting out specific terms for the arrangement, including the technologies required, operation details, settlement arrangements and the fees and charges. Such terms will be consistent with the principles and the terms of the Smart Cards Arrangement Agreement. If there is any discrepancy between the terms of an individual smart cards arrangement contract and the Smart Cards Arrangement Agreement, the latter shall prevail.			

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
Leasing framework agreement	Pursuant to the Leasing Framework Agreement, Bailian Group agreed to lease certain premises to the Company for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices, but excluding hypermarkets. The parties and/or its subsidiaries will enter into individual leasing contracts setting out specific terms of leasing including the details of relevant premises, the principles of rent determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Leasing Framework Agreement. If there is any discrepancy between the terms of an individual leasing contract and the Leasing Framework Agreement, the latter shall prevail.	The rent for leasing certain premises under the Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market prices of similar properties in same locations from time to time. Depending on the specific conditions of transactions contemplated under the individual leasing contracts, the fee payable under the individual leasing contracts is to be made by bank transfer on a monthly, quarterly, half-yearly or annual basis. Transactions contemplated under the Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable from independent third parties.	The maximum aggregate annual amount of the transactions under the leasing framework agreement for each of the three years ending 31 December 2021 is RMB9 million.	The actual transaction amount of the transactions under the leasing framework agreement for the year ended 31 December 2020 is RMB6,460 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
Property management framework agreement	Pursuant to the Property Management Framework Agreement, Bailian Group agreed to provide property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term of three years commencing from 1 January 2019 to 31 December 2021.	The fee for the provision of property management services under the Property Management Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the property management fees of similar properties in the market from time to time. Depending on the different sizes of the properties managed, the different amounts of the annual property management fee and the business scale of the counterparties, the fee payable under the Property Management Framework Agreement is to be made by bank transfer on a monthly or quarterly basis. Transactions contemplated under the Property Management Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.	The maximum aggregate annual amount of the transactions under the property management framework agreement for each of the three years ending 31 December 2021 is RMB18 million.	The actual transaction amount of the transactions under the property management framework agreement for the year ended 31 December 2020 is RMB8,727 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
	The parties and/or its subsidiaries will enter into individual property management contracts setting out specific terms of the provision of property management services including the principles of property management fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Property Management Framework Agreement. If there is any discrepancy between the terms of an individual property management contract and the Property Management Framework Agreement, the latter shall prevail.			

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

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

The highest applicable percentage ratios for the smart cards arrangement agreement, the leasing framework agreement and the property management framework agreement are more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 8 October 2018 for relevant details.

Continuing Connected Transactions – Sales Agency Framework Agreement

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

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

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

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

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

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

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

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

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

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

The maximum platform usage fee payable by the Group under the sales agency framework agreement for the years ending 31 December 2019, 2020 and 2021 are RMB52 million, RMB80 million and RMB112 million, respectively.

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

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

The actual transaction amount in respect of the goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group under the Sales Agency Framework Agreement for the year ended 31 December 2020 is approximately RMB600,780 thousand. The actual platform usage fee paid by the Group under the Sales Agency Framework Agreement for the year ended 31 December 2020 is approximately RMB27,358 thousand.

Please refer to the announcement of the Company dated 8 October 2018 and the circular of the Company dated 26 October 2018, respectively for relevant details of the transaction.

Continuing Connected Transactions – Membership Points Agency and Settlement Service Agreement

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

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

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

The maximum aggregate annual transaction amounts to be withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the membership points agency and settlement service agreement for each of the three years ending 31 December 2021 are RMB30 million.

The maximum aggregate annual amounts to be transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the membership points agency and settlement service agreement (including the interests to be paid by Bailian Finance) for each of the three years ending 31 December 2021 are RMB30 million.

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

As the highest applicable percentage ratio for the transactions under the membership points agency and settlement service agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual amount withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for the year ended 31 December 2020 is approximately RMB22,179 thousand. The actual amount (including interests paid by Bailian Finance) transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement for the year ended 31 December 2020 is approximately RMB13,985 thousand.

Please refer to the announcement of the Company dated 8 October 2018 for relevant details of the transactions.

Continuing Connected Transactions – Property Leasing Framework Agreement

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

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

The rental of the properties leased by the Company to Bailian Group under the Property Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market prices of comparable properties in same locations from time to time.

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

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

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

The maximum aggregate annual transaction amount in respect of the lease of the properties to Bailian Group by the Company under the property leasing framework agreement for each of the three years ending 31 December 2021 is RMB5 million.

As the highest applicable percentage ratios for the transactions under the property leasing framework agreement are more than 0.1% but less than 5%, the transactions contemplated under the property leasing framework agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount of the transactions under the Property Leasing Framework Agreement for the year ended 31 December 2020 is approximately RMB2,408 thousand.

Please refer to the announcement of the Company dated 8 October 2018 for relevant details of the transaction.

Continuing Connected Transactions – Warehouse Leasing Framework Agreement

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

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

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

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

The transactions contemplated under the Warehouse Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable to the Company than those available to independent third parties.

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

The respective maximum annual rental payable by Bailian Group to the Company for the financial years ending 31 December 2020, 2021 and 2022 under the Warehouse Leasing Framework Agreement are RMB60,000,000.

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

The actual transaction amount paid by Bailian Group under the Warehouse Leasing Framework Agreement for the year ended 31 December 2020 is approximately RMB14,064 thousand.

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

Continuing Connected Transactions – Leasing Agreements

The lease agreement dated 30 September 2003 was entered into between Century Lianhua as the lessee and Shanghai Bailian Xijiao Shopping Centre Co., Ltd. ("Bailian Xijiao", 上海百聯西郊購物中心有限公司) formerly known as Shanghai Friendship Shopping Centre Development Co., Ltd. (上海友誼購物中心發展有限公司), as the lessor in respect of the leasing of No. 88, Xian Xia West Road, Chang Ning District, Shanghai, the PRC. The annual rent under this lease agreement for each of the three years ended 31 December 2011 is subject to an annual cap of RMB16,700,000, details of which are set out in the announcement of the Company dated 28 November 2008. The annual rent (including the basic rent, the turnover rent and management fees) under the lease agreement for each of the three years ended 31 December 2014 is subject to an annual cap of RMB20,000,000, details of which are set out in the announcement of the Company dated 28 November 2011.

Century Lianhua is a subsidiary of the Company and Bailian Xijiao is a subsidiary of Shanghai Bailian, a substantial shareholder of the Company and thus such transactions constitute continuing connected transactions of the Company.

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

On 28 November 2017, the Board announced that the estimate annual rental payable (including the basic rent, the turnover rent and management fees) by Century Lianhua under the lease agreement for each of the three years ending 31 December 2020 will be subject to an annual cap of RMB16,000,000, after taking into account the following factors: (i) the 5% increment of the basic rent; (ii) the management fees of RMB2,400,000 per year; and (iii) the expected turnover rent payable by Century Lianhua in view of the consumption power of the residents in the neighbourhood of the premise, the customer attraction capability of the business district where the premise locates in as well as the anticipated rises in prices of consumer goods in the PRC for the three years ending 31 December 2020.

The actual rental paid by Century Lianhua under the lease agreement for the year ended 31 December 2020 are approximately RMB11,408 thousand.

On 24 December 2020, after taking into account the following factors: (i) the 5% increment of the basic rent pursuant to the Shanghai Xianxia Leasing Agreement; (ii) the management fees of RMB2,400,000 per year; and (iii) the expected Turnover Rent payable by Century Lianhua for the four years ending 31 December 2024 in view of the consumption power of the residents in the neighbourhoods of the Premises, the customer traffic of the business circle in which the Premises are located as well as the anticipated rises in prices of consumer goods in the PRC for the four years ending 31 December 2024, the Board would like to announce that the estimated annual rental payable (including the Basic Rent, Turnover Rent and management fees) under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 will be subject to an annual cap of RMB16,000,000.

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

Please refer to the announcement of the Company dated 28 November 2017 and 24 December 2020 for relevant details.

The lease agreement dated 3 December 2002 and the supplemental lease agreement dated 31 December 2008 were entered into between Century Lianhua as the lessee and Homemart Decoration and Materials Co., Ltd. ("Homemart", 好美家裝潢建材有限公司) as the lessor in respect of the leasing of No. 645, Xie Tu Road, Lu Wan District, Shanghai, the PRC (the "Lease Transaction"). The annual rent (inclusive of management fee of RMB1,125,000 per year payable to Homemart) of the premises for the periods from 1 January 2009 to 25 July 2012, from 26 July 2012 to 25 July 2017 and from 26 July 2017 to 25 July 2022 are RMB3,150,000 per year, RMB3,308,000 per year and RMB3,473,000 per year, respectively, details of which are set out in the announcement of the Company dated 31 December 2008. On 16 April 2012, Century Lianhua, Homemart and Shanghai Century Lianhua Supermarket Luwan Co., Ltd. (上海世紀聯華超市盧灣有限公司) ("Century Lianhua Luwan Company"), a wholly-owned subsidiary of Century Lianhua entered into a supplementary agreement to agree that Century Lianhua Luwan Company was to replace Century Lianhua to undertake all the related rights and obligations of Century Lianhua under the Lease Transaction with effect from the date of registration with the business registration office. Since Homemart is a subsidiary of Shanghai Friendship, a direct holding company of the Company and thus such transactions constitute continuing connected transactions of the Company.

The actual rent (inclusive of management fee) under the lease agreement and supplemental lease agreement with Homemart for the year ended 31 December 2020 is approximately RMB3,315 thousand.

The lease agreement dated 13 February 2004 and the supplemental lease agreement dated 26 June 2009 were entered into between Century Lianhua as the lessee and Homemart as the lessor in respect of the leasing of No. 1875, Ji Yang Lu, Pudong New District, Shanghai, the PRC. Pursuant to the supplemental lease agreement, the annual rent and management fees of the premises will be reduced from RMB6,300,000 to RMB6,090,000 from 1 July 2009, with the same increment percentage as agreed in the lease agreement dated 13 February 2004. The rent will be payable by Century Lianhua directly to Shanghai Di Lin Trading Company Limited ("Shanghai Di Lin", 上海荻林工貿有限公司), the landlord of the premises, instead of Homemart and the management fees will continue to be paid by Century Lianhua to Homemart. The annual caps under the supplemental lease agreement is set out as follows:

Period	**Annual caps under the supplemental lease agreement** (RMB)
For the year ended 31 December 2009	6,195,000.00
For the year ended 31 December 2010	6,166,125.00
For each of the two years ended 31 December 2012	6,394,500.00
For the year ended 31 December 2013	6,474,431.30
For each of the two years ending 31 December 2015	6,714,225.20
For the year ended 31 December 2016	6,798,153.00
For each of the two years ended 31 December 2018	7,049,936.40
For the year ended 31 December 2019	7,138,060.60
For each of the two years ending 31 December 2021	7,402,433.20
For the year ending 31 December 2022	5,551,824.90

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

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

The actual rent paid by Century Lianhua to Shanghai Di Lin and the management fees paid by Century Lianhua to Homemart under the lease agreement and the supplemental lease agreement for the year ended 31 December 2020 are approximately RMB4,111 thousand.

The lease agreement dated 15 September 2006 was entered into between Century Lianhua as the lessee and Shanghai Bailian Central Shopping Plaza Co., Ltd. ("Bailian Central", 上海百聯中環購物廣場有限公司), formerly known as Shanghai Bailian De Hong Shopping Mall Co., Ltd. (上海百聯德泓購物中心有限公司), as the lessor in respect of the leasing of portion of area located within Bailian Central Shopping Plaza at No.1288 Zhenguang Road, Shanghai, the PRC for a term from 21 December 2006 to 20 December 2026. The annual rent of the premises is RMB11,988,750 per year from the first year to the third year, and starting from the fourth year onwards, a 5% increment is calculated based on the previous three-year period for every three-year period thereafter, and the management fee of the premises is RMB3,011,000 per year, details of which are set out in the announcement of the Company dated 2 March 2009. Since Bailian Central is a subsidiary of Bailian Group, an holding company of the Company's substantial shareholder, Shanghai Friendship, and thus such transaction constitutes continuing connected transactions of the Company.

The actual rent fee under the lease agreement paid by Century Lianhua to Bailian Central for the year ended 31 December 2020 is approximately RMB17,222 thousand.

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

Period	**Maximum amount of the transaction** (RMB)
From 1 January 2010 to 31 December 2010 (Note 1)	1,410,000
From 1 January 2011 to 31 December 2011	4,220,000
From 1 January 2012 to 31 December 2012	4,220,000
From 1 January 2013 to 31 December 2013	4,400,000
From 1 January 2014 to 31 December 2014	4,400,000
From 1 January 2015 to 31 December 2015	4,400,000
From 1 January 2016 to 31 December 2016	4,580,000
From 1 January 2017 to 31 December 2017	4,580,000
From 1 January 2018 to 31 December 2018	4,580,000
From 1 January 2019 to 31 December 2019	4,770,000
From 1 January 2020 to 31 December 2020	4,770,000
From 1 January 2021 to 31 December 2021	4,770,000
From 1 January 2022 to 31 December 2022	4,970,000
From 1 January 2023 to 31 December 2023	4,970,000
From 1 January 2024 to 31 December 2024	4,970,000
From 1 January 2025 to 31 December 2025 (Note 2)	2,490,000

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

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

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

The actual rent fee under the lease agreement paid by Century Lianhua to Bailian Nanqiao for the year ended 31 December 2020 is approximately RMB3,715 thousand.

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

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

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

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

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

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

The actual rent fee under the lease agreement between Century Lianhua and Bailian Jinshan for the year ended 31 December 2020 is approximately RMB6,737 thousand.

Continuing Connected Transactions – Leasing Agreements

On 15 July 2011, Shanghai Century Lianhua Yuqiao Shopping Centre Ltd. ("Lianhua Yuqiao",上海世紀聯華禦橋購物廣場有限公司) as the lessor and Shanghai Bailian, as the lessee entered into a lease agreement in respect of the property located at the first to third floors of Century Lianhua Yuqiao Shopping Centre, No. 2420 Hu Nan Road, Pudong New District, Shanghai, the PRC. The maximum annual amount of the transactions payable by Shanghai Bailian under this lease agreement are set out as follows:

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

The relevant details are set out in the announcement of the Company dated 15 July 2011.

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

The actual transaction amount of the transactions under the lease agreement between Lianhua Yuqiao and Shanghai Bailian for the year ended 31 December 2020 is approximately RMB26,713 thousand.

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

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

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

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

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

(1) have been approved by the Board;

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

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

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

By order of the Board

Ye Yong-ming
Chairman

29 March 2021
Shanghai, the PRC

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

The Board is pleased to confirm that save for the matters as set out below, the Company has complied with all the code provisions in the "Corporate Governance Code" (the "Code") under Appendix 14 of the Listing Rules during the period under review. Apart from the following deviations, none of the Directors is aware of any information that would reasonably indicate that the Company is not or was not for any time of the period under review in compliance with the Code. Details of the deviations are set out as follows:

Provision A.4.2 of the Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Articles of Association provides that each Director shall be appointed at the general meeting of the Company and for a term of not more than 3 years, and eligible for re-election. Having taken into account the continuity of the implementation of the Company's operation and management policies, the Articles of Association contains no express provision for the mechanism of Directors' retirement by rotation, thus deviating from the aforementioned provision of the Code.

The code provision A.6.7 of the Code is regarding the non-executive directors' regular attendance and active participation in board meetings and attendance to general meetings.

Mr. Qian Jian-qiang, the then non-executive Director, was unable to attend the thirteenth meeting of the sixth session of the Board convened on 31 March 2020 by the Company due to his other business commitments.

Ms. Xu Zi-ying, a non-executive Director, was unable to attend the first meeting of the seventh session of the Board convened on 22 June 2020 by the Company due to her other business commitments.

Ms. Xu Zi-ying, a non-executive Director, and Ms. Zhang Shen-yu, a non-executive Director, were unable to attend the second meeting of the seventh session of the Board convened on 28 August 2020 by the Company due to their other business commitments.

Mr. Xu Hong, a non-executive Director, was unable to attend the third meeting of the seventh session of the Board convened on 26 November 2020 by the Company due to his other business commitments.

Ms. Xu Zi-ying, a non-executive Director, Mr. Qian Jian-qiang, a then non-executive Director, and Ms. Zheng Xiao-yun, a then non-executive Director, were unable to attend the 2019 annual general meeting of the Company convened on 22 June 2020 (the "2019 AGM") due to their other business commitments.

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

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

Moreover, the Company has provided the relevant materials and all necessary information relating to the 2019 AGM to all members of the Board before the 2019 AGM. All ordinary resolutions considered at the 2019 AGM were passed smoothly. The Company sent the related minutes of the 2019 AGM to all members of the Board after the 2019 AGM so that the Director who was unable to attend the meeting was able to understand the resolutions passed at the meeting.

The Board

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

As approved at the 2019 AGM on 22 June 2020, the seventh session of the Board was established and the term of office of each Director (including non-executive Directors) is three years, which will expire on the date of conclusion of 2022 annual general meeting of the Company. Corresponding to the term of office, the executive Director has entered into service contracts, which are valid for a term ending on the date of conclusion of the annual general meeting of the Company for the year 2022, and such term is renewable subject to the laws and regulations. The names of the Directors referred herein are members of the seventh session of the Board as at the date of this report.

The principal responsibilities of the Board include:

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

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

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

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

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

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

Board Meetings and General Meeting

The Company held four Board meetings and one 2019 AGM during the year. Attendance record of the Directors is as follows:

	Meetings Attended/Held	
Directors	**Board Meetings**	**2019 AGM**
Executive Director		
Mr. Xu Tao	4/4	1/1
Non-executive Directors		
Mr. Ye Yong-ming *(chairman)*	4/4	1/1
Ms. Xu Zi-ying *(vice chairman)*	2/4	0/1
Mr. Xu Hong	3/4	1/1
Mr. Qian Jian-qiang (Note 1)	0/1	0/1
Ms. Zhang Shen-yu (Note 2)	2/3	1/1
Ms Zheng Xiao-yun (Note 3)	1/1	0/1
Mr. Dong Xiao-chun (Note 4)	3/3	1/1
Mr. Wong Tak Hung	4/4	1/1
Independent Non-executive Directors		
Mr. Xia Da-wei	4/4	1/1
Mr. Lee Kwok Ming, Don	4/4	1/1
Mr. Chen Wei	4/4	1/1
Mr. Zhao Xin-sheng	4/4	1/1

Notes:

1. Mr. Qian Jian-qiang retired from the office of non-executive Director on 22 June 2020.

2. Ms. Zhang Shen-yu was appointed as non-executive Director on 22 June 2020.

3. Ms. Zheng Xiao-yun retired from the office of non-executive Director on 22 June 2020.

4. Mr. Dong Xiao-chun was appointed as non-executive Director on 22 June 2020.

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

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

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

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

Trainings of Directors

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

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

Directors	Perusing the Training Materials on the Listing Rules	Participating in the Trainings on the Listing Rules Organised by the Company	Participating in the Trainings on the Listing Rules Organised by Other Organisations
Executive Director			
Mr. Xu Tao	✓	✓	
Non-executive Directors			
Mr. Ye Yong-ming	✓	✓	
Ms. Xu Zi-ying	✓	✓	
Mr. Xu Hong	✓		✓
Mr. Qian Jian-qiang			
Ms. Zhang Shen-yu	✓		
Ms. Zheng Xiao-yun			
Mr. Dong Xiao-chun	✓		✓
Mr. Wong Tak Hung	✓		
Independent Non-executive Directors			
Mr. Xia Da-wei	✓	✓	✓
Mr. Lee Kwok Ming, Don	✓		✓
Mr. Chen Wei	✓	✓	
Mr. Zhao Xin-sheng	✓	✓	

Board Diversity Policy

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

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

Duties of the Board and the Management of the Company

During the period under review, the position of Chairman is assumed by Mr. Ye Yong-ming while the position of Manager (equivalent to "chief executive officer" under the Listing Rules) of the Company was assumed by Mr. Xu Tao, which complies with the requirement of Provision A.2.1 of the Code requiring that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman leads the Board and is responsible for approving and supervising the policies and strategies of the Group, approving annual budget and business plan, assessing the performance of the Company and supervising the work of the management of the Company. The Manager is responsible for the day-to-day operations of the Group and leads the management of the Company to exercise the powers conferred by the Articles of Association and delegated by the Board.

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

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

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

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

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

(5) formulate the basic rules of the Company;

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

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

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

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

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

Board Committees

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

As approved by ordinary resolutions at the annual general meeting on 22 June 2020, the seventh session of the Board was established. On the same day, the Board established the seventh session of the Board Committees in accordance with the requirements of the Code. As at the end of the period under review, members of each of the seventh session of the Board Committees are as follows:

Board Committees	Members				
The Audit Committee	Mr. Lee Kwok Ming, Don *(Chairman)*	Mr. Xia Da-wei	Mr. Zhao Xin-sheng	Mr. Dong Xiao-chun	–
The Remuneration and Appraisal Committee	Mr. Xia Da-wei *(Chairman)*	Ms. Xu Zi-ying	Mr. Chen Wei	Mr. Zhao Xin-sheng	–
The Strategic Committee	Mr. Ye Yong-ming *(Chairman)*	Ms. Xu Zi-ying	Mr. Xu Tao	Mr. Xu Hong	Ms. Zhang Shen-yu
The Nomination Committee	Mr. Ye Yong-ming *(Chairman)*	Mr. Chen Wei	Mr. Xia Da-wei	Mr. Zhao Xin-sheng	–

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

(2) Ms. Zheng Xiao-yun retired from the office of a non-executive Director and a member of the Audit Committee on 22 June 2020. Mr. Dong Xiao-chun was appointed as a non-executive Director and a member of the Audit Committee on 22 June 2020.

(3) Mr. Qian Jian-qiang retired from the office of a non-executive Director and a member of the Strategic Committee on 22 June 2020. Ms. Zhang Shen-yu was appointed as a non-executive Director and a member of the strategic Committee on 22 June 2020.

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

Audit Committee

The Board passed a resolution on 22 June 2020 to establish the seventh session of the Audit Committee. The Audit Committee currently comprises four members, including three independent non-executive Directors (including the chairman) and one non-executive Director. The Board confirms that each member of the Audit Committee has extensive business experience and the Audit Committee has a desirable mix of operational, accounting and financial expertise. The primary duties, roles and functions of the Audit Committee are:

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

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

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

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

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

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

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

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

(i) to review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function has adequate resource and has appropriate standing within the Group;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(x) to consider and be responsible for other topics, as requested or delegated by the Board.

During the year ended 31 December 2020, the Audit Committee held three meetings and performed major work including review of annual and interim financial reports, internal control, continuing connected transactions, elected the chairman of the seventh session of the Audit Committee and maintaining proper relationship between the Group and external and internal auditors etc.

The Audit Committee of the Company held a meeting on 27 March 2020 to review and discuss matters including the internal control of the Group, annual financial reports, remuneration and reappointment of domestic and international auditors and continuing connected transactions for 2019, including the review of the Company's annual financial report prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS"). The Audit Committee was of the view that the annual financial report of the Group for the year 2019 had complied with the accounting standards and requirements of the Stock Exchange and the relevant laws and had made adequate disclosures. The Audit Committee also conducted a review on the risk management and internal control system of the Company and its subsidiaries and was of the view that the Group had an effective risk management and internal control system. The Audit Committee was of the view that domestic and international auditor of the Company had carried out their work with professionalism and independence, and agreed to make recommendations to the Board in respect of their remuneration for 2019 and suggested to re-appoint the domestic and international auditors for 2020. The Audit Committee confirmed that the continuing connected transactions of the Company in 2019 did not exceed their respective caps.

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

The Audit Committee of the Company held a meeting on 22 June 2020 to elect Mr. Lee Kwok Ming, Don as the chairman of the seventh session of the Audit Committee.

The Audit Committee of the Company held a meeting on 18 August 2020 to review and discuss with the management the matters including internal controls and interim financial report, including the review of the Company's condensed interim financial report prepared in accordance with the HKFRSs. The Audit Committee was of the view that the Group's interim financial report for the six months ended 30 June 2020 had complied with the applicable accounting standards, requirements of the Stock Exchange and relevant laws, and had made adequate disclosures. In relation to its review of the Group's internal audit function, risk management and internal control, the Audit Committee concluded that the Group's internal audit function, risk management and internal control system were effective.

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

Set out below is the attendance records of the members of the Audit Committee in 2020:

Name	27 March 2020	22 June 2020	18 August 2020
Independent Non-executive Directors			
Mr. Lee Kwok Ming, Don *(Chairman)*	Present	Present	Present
Mr. Xia Da-wei	Present	Present	Present
Mr. Zhao Xin-sheng	Present	Present	Present
Non-executive Director			
Ms. Zheng Xiao-yun (Note)	Present	–	–
Mr. Dong Xiao-chun (Note)	–	Present	Present

Note: Ms. Zheng Xiao-yun retired from the office of a member of the Audit Committee on 22 June 2020. Mr. Dong Xiao-chun was appointed as a member of the Audit Committee on 22 June 2022.

Remuneration and Appraisal Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(o) other responsibilities authorized by the Board.

During the year ended 31 December 2020, the Remuneration and Appraisal Committee held two meetings and performed major work including determining the policy for the remuneration of Directors, assessing the performance of the executive Director and senior management of the Company, approving the terms of executive Directors' service contracts and making recommendations to the Board on their remuneration packages, and electing the chairman of the seventh session of the Remuneration and Appraisal Committee.

The Remuneration and Appraisal Committee held the meeting on 30 March 2020. Having taken into account the factors including, but not limited to, the remuneration paid by comparable companies, time commitment of the Director and the Director's duties, hiring standards of other positions within the Group and performance-based remuneration, the committee made recommendations to the Board on the remuneration packages of the executive Director and approved the remunerations to an executive Director, a Supervisor, the senior management formed by general managers and deputy general managers for 2019.

The Remuneration and Appraisal Committee held a meeting on 22 June 2020 to elect Mr. Xia Da-wei as the chairman of the seventh session of the Remuneration and Appraisal Committee.

Set out below is the attendance records of the members of the Remuneration and Appraisal Committee in 2020:

Name	30 March 2020	22 June 2020
Independent Non-executive Directors		
Mr. Xia Da-wei *(Chairman)*	Present	Present
Mr. Chen Wei	Present	Present
Mr. Zhao Xin-sheng	Present	Present
Non-Executive Director		
Ms. Xu Zi-ying	Present	Present

Nomination Committee

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Nomination Committee held four meetings. The meetings were in compliance with the provisions under the Detailed Implementation Rules for the Nomination Committee under the Board and performed major work including determining the policy for nomination of directors, reviewing, commenting and making recommendation to the Board on the candidates for Directors of the sixth sessions of the Board, adjustments of the member of Board Committees, and reviewing the time committed by each Director in order to perform their duties, and the structure, size and composition of the Board, making recommendation to the Board on the candidates for Directors of the seventh sessions of the Board and on the candidates for the members of the seventh session of the Board Committees, and electing the chairman of the seventh session of the Nomination Committee etc., which were approved and passed by way of resolutions at these meetings.

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

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

Set out below is the attendance record of the members of the Nomination Committee in 2020:

Name	30 March 2020	29 May 2020	10 June 2020	22 June 2020
Independent Non-executive Directors				
Mr. Chen Wei	Present	Present	Present	Present
Mr. Xia Da-wei	Present	Present	Present	Present
Mr. Zhao Xin-sheng	Present	Present	Present	Present
Non-Executive Director				
Mr. Ye Yong-ming *(chairman)*	Present	Present	Present	Present

Corporate Governance Functions

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

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

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

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

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

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

Directors' and Auditors' Responsibilities for the Accounts

The Directors hereby confirm their responsibilities for the preparation of the accounts of the Company. The Directors confirm that the preparation of the financial statements of the Company for this year complied with the relevant laws and applicable accounting standards and that the Company will publish the financial statements of the Company on timely basis. The responsibilities of external auditors to the shareholders are set out on pages 131 to 133 of the annual report.

Compliance with Model Code

The Company has adopted the Model Code as the code of conduct for securities transactions by all Directors. After making specific enquiries with the Directors, the Board is pleased to confirm that all the Directors have fully complied with the provisions under the Model Code during the year ended 31 December 2020.

Remuneration of Auditors

The Audit Committee is responsible for considering the appointment of auditors and reviewing their remuneration. For the year under review, RMB5,351 thousand was payable by the Company to the external auditors (including the PRC and international auditors) as service charge for their audit and due diligence consultancy services. For the year under review, the external international auditors had not provided any non-auditing service to the Company.

Company Secretary

Ms. Xu Xiao-yi and Ms. Leung Shui Bing (a manager of the Listing Services Department of TMF Hong Kong Limited) have been appointed as the joint company secretaries of the Company with effect from 2 July 2020. Ms. Xu Xiao-yi is the joint company secretary and secretary of the Board of Directors of the Company, and is the internal contact person between Ms. Leung Shui Bing and the Company.

In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2020, Ms. Xu Xiao-yi and Ms. Leung Shui Bing received not less than 15 hours of the relevant professional training.

Risk Management and Internal Supervision

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

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

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

Internal Review

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

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

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

Review of the Effectiveness of Risk Management and Internal Monitoring System

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

In 2020, the internal audit department worked closely with the operating units, senior management and the Directors to strengthen the risk management system. The work includes but not limited to, (i) increasing the number of training sessions; (ii) further harmonizing the internal control and risk assessment methods; (iii) normalizing internal control and risk assessment; and (iv) making the internal monitoring and evaluation more closely aligned with their potential risks, which are considered as conducive. Moreover, the internal audit department collects potential risk information from operating units and assesses the level of risk based on implementation of risk management measures that would be facilitated, all of which form part of the process used by the Company to identify, evaluate and manage potential material risk. The key risks identified, managed and monitored during the year included downward pressure on China's economy and action plans to effectively respond to the identified risks were formulated and implemented during the year accordingly. The internal audit department has submitted to the Board and the Audit Committee the latest report on the monitoring of risk management during the year and to assist the Directors in reviewing the effectiveness of the Group's risk management and internal control systems.

In 2020, the Group's internal audit department conducted a selective review on the effectiveness of the Group's risk management and internal control systems in terms of financial, operational and compliance monitoring, focusing on intangible asset management, information system maintenance, inventory management, and procurement expenses to review the effectiveness of risk management and internal control system. In addition, the responsible person of the main business and corporate functions need to self-assess their own major monitoring matters. The results were reviewed by the Group's internal audit department and reported to the Audit Committee. The Audit Committee then reviewed the information and reported to the Board. The Audit Committee and the Board did not find any matter or failure which requires special attention relating to the Group's financial condition or results of operations. In case any material internal control defects are identified by the internal audit department, the responsible unit and the Board will discuss and assess the cause of the defect and an action plan will be formulated to rectify the defects. The Board has conducted a review and considered that the risk management and internal control system as a whole is adequate and effective, including the areas of accounting, internal audit and the Group's procedure for financial reporting and compliance with the Listing Rules are effective. There are sufficient resources, staff qualifications and experience in the financial reporting function, as well as adequate staff training courses and budget.

Inside Information

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

Liability Insurance

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

Organizational Structure

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

Authorities And Controls

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

Training on Internal Control

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

Accounting System Management

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

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

Internal Audit

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

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

Continuing Operation

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

Investor Relations

The Company reports to the Shareholders on the corporate information of the Group on a timely and accurate basis. Printed copies of the 2019 annual report and 2020 interim report have been sent to all Shareholders.

The Company places great emphasis on communication with the Shareholders and investors of the Company and in enhancing the Company's transparency. As such, a dedicated department has been set up and designated officers are assigned to handle relations with investors and analysts. During the period under review, the Company received 20 batches of fund managers and analysts and patiently answered their relevant inquiries. Site visits to stores were arranged for them so as to enhance their understanding of the Company's operation and also its latest business developments. The Company made disclosures in a careful, true, accurate, complete and timely manner in strict accordance with applicable laws and regulations, the Articles of Association and the Listing Rules. At the same time, the Company places great emphasis on collecting and analysing various comments and recommendations from analysts and investors on the Company's operation, which will be compiled into reports regularly and adopted selectively in its operation. The Company has set up a website, allowing investors to have access to the Company's particulars, statutory announcements, management and recent operating affairs. All published annual reports, interim reports, circulars and announcements since its listing are included in the "Investors Relations" section of the website. The Company persistently adheres to its information disclosure principle of honesty and integrity and actively initiates communications with various parties. In particular, it has held seminars, press conferences and one-on-one investor meetings following the announcement of interim and annual results and decisions on major investments. The Company also participates in a series of investor activities and conducts one-on-one communication with investors on a regular basis.

Changes in Company's Constitutional Document

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

Shareholder's Rights

Convening extraordinary general meetings by shareholders

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

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

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

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

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

Raising Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board

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

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

Report of the Supervisory Committee

Dear Shareholders,

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

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

During the period under review, the Supervisory Committee held seven meetings. On 31 March 2020, the Supervisory Committee held a meeting, at which the Supervisory Committee objectively evaluated the Group's business operation for the year of 2019, and was fully satisfied with the work done by the Group in 2019, including the Group's development plan, network expansion in the year, improvement of the internal control systems and conduct of connected transactions. The Supervisory Committee also received reports on the financial conditions of the Group for 2019 and discussed and adopted the report of the Supervisory Committee for 2019. The Supervisory Committee reviewed and approved the Company's proposal on the land acquisition and reserve of the land of Lianhua Supermarket Holdings Co., Ltd. located at No.1405, Caoyang Road, Putuo District, Shanghai and the land of Shanghai Lianhua Quik Convenience Stores Co., Ltd.("Lianhua Quik") located at No.1431 Caoyang Road, Putuo District, Shanghai, and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the capital increase of the Company's wholly-owned subsidiary Lianhua Quik to its subsidiary Shanghai Lianhua Quik Convenience Stores Zhabei Co., Ltd. The Supervisory Committee reviewed and approved the Company's proposal on the Company entering into the procurement of goods framework agreement with Bailian Group Co., Ltd.("Bailian Group") from 2020 to 2022, and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.

On 26 April 2020, the Supervisory Committee convened a meeting to review and approve the Company's 2019 audit reports issued by domestic auditors and overseas auditors in accordance with relevant standards. The Supervisory Committee reviewed and approved the Company's proposal on the Company's 2019 profit distribution. The Supervisory Committee reviewed and approved the Company's proposal on the provision for impairment of right-of-use assets, and agreed that the company should withdraw the impairment of right-of-use assets and include it in the current profit and loss in 2019.

On 29 May 2020, the Supervisory Committee convened a meeting to agreed to nominate Mr. Yang Aguo and Mr. Li Feng as candidates for supervisors of the seventh session of the Supervisory Committee of the Company.

On 22 June 2020, the Supervisory Committee convened a meeting to review and unanimously agree to elect Mr. Yang Aguo as the chairman of the seventh session of the Supervisory Committee of the Company. The Supervisory Committee reviewed and approved the resolution of the connected transactions that the Company entered into a logistics and delivery services framework agreement from 2020 to 2021 with Alibaba Group subsidiary companies, and reviewed and approved Hangzhou Lazas Information Technology Co., Ltd. to succeed all rights and obligations under the "Logistics and Express Delivery Business Cooperation Framework Agreement" that Shanghai Zhiguan Information Technology Co., Ltd. entered into with the Company on 3 April 2019, to provide the Company and its subsidiaries with logistics and distribution services for the period from 1 January 2020 to 31 December 2021, including but not limited to providing distribution information, resource docking and distribution, allocation and return services in Shanghai; the Supervisory Committee reviewed and approved the proposal on the Company entering into a tripartite contract with Bailian Omni-channel E-Commerce Co., Ltd. ("Bailian Omni-channel") and Shanghai Tongzhen Information Technology Co., Ltd. ("Tongzhen Information") for the development of Lianhua Digital Store System Software, and agreed that the Company, Bailian Omni-channel and Tongzhen Information would jointly develop a new generation of "Lianhua Digital Store System" with intellectual property rights owned by the Company and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.

On 28 August 2020, the Supervisory Committee convened a meeting regarding the operating conditions of the first half of the year ended 30 June 2020 and received reports from the management of the Group relating to the financial condition of the first half of 2020.

On 15 October 2020, the Supervisory Committee convened a meeting to consider and approve the proposal on the Company's subsidiary Lianhua Quik using of its own funds for capital increase of its wholly-owned subsidiaries Hangzhou Lianhua Quik Convenience Stores Chain Co., Ltd. and Ningbo Lianhua Quik Convenience Stores Chain Co., Ltd.

On 26 November 2020, the Supervisory Committee convened a meeting to review and approve the Company's proposal on the connected transactions that the Company entered into the logistics delivery services framework agreement from 2021 to 2023 with Bailian Group; approved the Company's proposal on Shanghai Xianxia Leasing's annual rent cap from 2021 to 2024; reviewed and approved the Company's proposal on the connected transactions that the Company entered into the marketing service agreement from 2020 to 2022 with Hangzhou Taoxianda Network Technology Co., Ltd.; reviewed and approved the Company's proposal on connected transaction that the Company entered into the software service framework agreement from 2021 to 2023 with Alipay (China) Network Technology Co., Ltd. ; reviewed and approved the Company's proposal on the connected transactions that the Company entered into the marketing services from 2021 to 2023 with Alipay (China) Network Technology Co., Ltd. ; and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The proposal of the Company on agreeing to increase the total investment of the Lianhua Jiangqiao Logistics Base project was reviewed and approved in view of the complex geology of the land involved in the implementation of the project, the adjustment of relevant national policies, and the increase in the price of main material elements, the Supervisory Committee agreed to agreeing to increase the total investment of the Lianhua Jiangqiao Logistics Base project.

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

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

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

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

The Supervisory Committee conducted a review on the Group's connected transactions for the period under review which were subject to conditional exemptions. It confirmed that such connected transactions had complied with legal and statutory procedures and the transactions were conducted on fair commercial terms and in line with the financial policies of the Group and the transaction amounts did not exceed their respective caps.

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

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

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Lianhua Supermarket Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 134 to 221, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

KEY AUDIT MATTERS (Continued)

Key audit matter *Impairment assessment on property, plant and equipment and right-of-use assets*	**How our audit addressed the key audit matter**
We identified impairment assessment on property, plant and equipment and right-of-use assets as a key audit matter because the amounts of property, plant and equipment and right-of-use assets were significant and impairment assessment involved significant estimations and assumptions. Note 20 to the consolidated financial statements described the reasons of impairment loss made on property, plant and equipment and right-of-use assets respectively. It also sets out details of the value-in-use calculations for these cash-generating-units. During the year ended 31 December 2020, the Group has recognised impairment losses of RMB12,100,000 and RMB64,852,000 on property, plant and equipment and right-of-use assets respectively.	Our audit procedures in relation to the impairment assessment include: • Understanding the management consideration and process for the identification of property, plant and equipment and right-of-use assets which have impairment indicators; • Understanding the methodology and the process management applied in preparing the cash flow forecast, including the key assumptions and data used such as the historical financial information, market outlooks and trends, growth rate, discount rates, budgeted sales and gross margin; • Assessing whether the management estimates and judgement are appropriate and reasonable with regards to our understanding and the operating performance of the Group; and • Evaluating whether the model used by the management to calculate the value-in-use of the individual cash-generating unit is in compliance with the requirement under Hong Kong Accounting Standard 36 *Impairment of Assets*.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is David Leung Ho Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	**Year ended 31/12/2020 RMB'000**	Year ended 31/12/2019 RMB'000
Revenue	5	**26,331,155**	25,859,198
Cost of sales		**(22,795,864)**	(22,340,358)
Gross profit		**3,535,291**	3,518,840
Other revenue	5	**2,170,108**	2,285,170
Other income and other gains and losses	7	**769,311**	651,782
Impairment losses (recognised) reversed under expected credit loss ("ECL") model, net of reversal	9	**(1,157)**	150
Distribution and selling expenses		**(4,861,494)**	(5,161,856)
Administrative expenses		**(929,048)**	(880,107)
Other expenses	10	**(338,334)**	(138,768)
Share of results of associates		**(65,043)**	(13,938)
Finance costs	8	**(295,108)**	(307,374)
Loss before taxation	11	**(15,474)**	(46,101)
Income tax expense	12	**(172,123)**	(195,898)
Loss and total comprehensive expense for the year		**(187,597)**	(241,999)
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(319,286)**	(378,301)
Non-controlling interests		**131,689**	136,302
		(187,597)	(241,999)
Loss per share – basic	15	**RMB0.29**	RMB0.34

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	31/12/2020 RMB'000	31/12/2019 RMB'000
Non-current assets			
Property, plant and equipment	16	**3,407,002**	3,452,466
Construction in progress	17	**10,234**	33,345
Right-of-use assets	18	**6,968,377**	7,480,238
Intangible assets	19	**133,643**	99,950
Goodwill	21	**127,953**	127,953
Interests in associates	22	**660,405**	725,098
Financial assets at fair value through profit or loss ("FVTPL")	23	**57,684**	73,909
Finance lease receivables	25	**254,528**	305,180
Term deposits	24	**4,685,800**	1,695,000
Prepaid rental	26	**1,376**	467
Deferred tax assets	27	**7,883**	2,933
Other non-current assets	28	**209,693**	63,171
		16,524,578	14,059,710
Current assets			
Inventories	29	**2,677,659**	2,775,011
Finance lease receivables-current	25	**37,291**	39,376
Trade receivables	30	**183,464**	164,431
Deposits, prepayments and other receivables	31	**613,834**	754,232
Financial assets at FVTPL	23	**59,958**	1,310,747
Amounts due from fellow subsidiaries	32	**43,617**	9,075
Amounts due from associates	33	**77**	39
Term deposits	24	**1,070,000**	2,241,300
Cash and cash equivalents	34	**2,010,276**	2,198,539
		6,696,176	9,492,750
Total assets		**23,220,754**	23,552,460

(Continued)

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	31/12/2020 RMB'000	31/12/2019 RMB'000
Capital and reserves			
Share capital	41	**1,119,600**	1,119,600
Reserves		**333,067**	652,353
Equity attributable to owners of the Company		**1,452,667**	1,771,953
Non-controlling interests	42	**302,427**	274,553
Total equity		**1,755,094**	2,046,506
Non-current liabilities			
Deferred tax liabilities	27	**101,947**	94,388
Lease liabilities	39	**6,247,684**	6,774,004
		6,349,631	6,868,392
Current liabilities			
Trade payables	35	**3,889,797**	3,984,193
Tax payable		**165,899**	159,684
Bank borrowing	36	**20,000**	–
Other payables and accruals	37	**1,974,422**	1,675,869
Lease liabilities	39	**856,082**	754,352
Contract liabilities	38	**8,138,152**	8,022,516
Deferred income	40	**5,916**	11,779
Amounts due to Shanghai Bailian (as defined in note 1)		**36,234**	–
Amounts due to fellow subsidiaries	32	**28,131**	25,156
Amounts due to associates	33	**1,394**	1,262
Amounts due to other related parties		**2**	2,751
		15,116,029	14,637,562
Total liabilities		**21,465,660**	21,505,954
Net current liabilities		**(8,419,853)**	(5,144,812)
Total equity and liabilities		**23,220,754**	23,552,460

The consolidated financial statements on pages 134 to 221 were approved and authorised for issue by the Board of Directors on 29 March 2021 and are signed on its behalf by:

YE YONG-MING
DIRECTOR

XU TAO
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital RMB'000	Capital reserve RMB'000 (note a)	Other reserve RMB'000 (note b)	Statutory common reserve fund RMB'000 (note c)	Retained profits RMB'000	Total attributable to owners of the Company RMB'000	Non-controlling interests RMB'000 (note 42)	Total RMB'000
At 1 January 2019	1,119,600	258,353	(235,497)	559,800	447,998	2,150,254	283,359	2,433,613
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	(378,301)	(378,301)	136,302	(241,999)
Dividends to non-controlling interests	–	–	–	–	–	–	(145,108)	(145,108)
At 31 December 2019	1,119,600	258,353	(235,497)	559,800	69,697	1,771,953	274,553	2,046,506
(Loss) profit and total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(319,286)**	**(319,286)**	**131,689**	**(187,597)**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(115,615)**	**(115,615)**
Capital contribution from non-controlling shareholder for establishing a new subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**11,800**	**11,800**
At 31 December 2020	**1,119,600**	**258,353**	**(235,497)**	**559,800**	**(249,589)**	**1,452,667**	**302,427**	**1,755,094**

notes:

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

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

i. the fair value difference of a subsidiary's net asset, arising from a business combination in 2005, and the Group's original equity interest in that subsidiary;

ii. the financial impact of adopting merger accounting to account for the acquisition of subsidiaries during the year ended in 2009 and 2011;

iii. acquisition of additional equity interests in subsidiaries; and

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

(c) Pursuant to the relevant regulations of the People's Republic of China (the "PRC") and the Articles of Association of the relevant companies, the Group are required to transfer 10% of its profit, as determined under the PRC Company Law, to statutory common reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders. No further transfer is required when the fund has reached 50% of the Company's registered capital.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(15,474)**	(46,101)
Adjustments for:		
Depreciation of property, plant and equipment	**347,769**	353,360
Depreciation of right-of-use assets	**1,093,026**	1,038,528
Amortisation of intangible assets	**18,766**	17,416
Gain on disposal of property, plant and equipment, right-of-use assets and intangible assets	**(288,435)**	(153,771)
Impairment loss recognised on property, plant and equipment	**12,100**	9,292
Impairment loss recognised on right-of-use assets	**64,852**	122,042
Write-down (reversals of write-down) of inventories	**924**	(6,750)
Impairment losses recognised (reversed) under ECL model	**1,157**	(150)
Loss (gain) on change in fair value of financial assets at FVTPL	**3,822**	(91,751)
Dividends from financial assets at FVTPL	**(769)**	(530)
Share of results of associates	**65,043**	13,938
Interest income on bank balances and term deposits	**(279,694)**	(220,674)
Finance lease income	**(24,845)**	(42,173)
Finance cost	**295,108**	307,374
Operating profit before movements in working capital	**1,293,350**	1,300,050
Decrease (increase) in inventories	**96,428**	(259,183)
(Increase) decrease in trade receivables	**(20,027)**	10,827
(Increase) decrease in deposits, prepayments and other receivables	**(32,164)**	39,404
(Increase) decrease in prepaid rental	**(909)**	348
Decrease in finance lease receivables	**72,521**	200,799
(Increase) decrease in amounts due from associates	**(38)**	3
(Increase) decrease in amounts due from fellow subsidiaries	**(34,542)**	3,944
Increase in amount due to Shanghai Bailian	**36,234**	–
Increase (decrease) in amounts due to fellow subsidiaries	**2,975**	(17,805)
Increase in amounts due to associates	**132**	1,595
(Decrease) increase in amounts due to other related parties	**(2,749)**	477
Decrease in deferred income	**(5,863)**	(5,303)
Decrease (increase) in restricted term deposits	**387,500**	(558,000)
Decrease in trade payables	**(94,396)**	(145,781)
Increase (decrease) in other payables and accruals	**385,866**	(171,795)
Increase in contract liabilities	**115,636**	206,022
Cash generated from operations	**2,199,954**	605,602
Income taxes paid	**(163,299)**	(176,848)
Interest received	**184,289**	137,576
Interest paid	**(295,108)**	(307,374)
Net cash from operating activities	**1,925,836**	258,956

(Continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment and construction in progress	**(319,994)**	(342,670)
Proceeds from disposal of property, plant and equipment, right-of-use assets and intangible assets	**306,661**	153,690
Investment in an associate	**(350)**	(56,666)
Payments for purchase of intangible assets	**(27,665)**	(12,822)
Payments for rental deposits	**(3,314)**	(3,099)
Refund of rental deposits	**5,181**	–
Payments for purchase financial assets at FVTPL	**–**	(1,210,700)
Dividend from financial assets at FVTPL	**769**	530
Dividend received from an associate	**–**	51,766
Proceeds on disposal of financial assets at FVTPL	**1,263,192**	3,211,910
Withdrawal of unrestricted term deposits	**263,300**	265,000
Placement of unrestricted term deposits	**(2,470,300)**	(1,648,300)
Net cash (used in) from investing activities	**(982,520)**	408,639
FINANCING ACTIVITIES		
New bank borrowing raised	**20,000**	–
Dividends paid to non-controlling shareholders	**(114,315)**	(159,235)
Payment for acquisition of partial interest of a subsidiary	**–**	(28,176)
Repayments of leases liabilities	**(1,049,064)**	(942,745)
Capital contribution from non-controlling shareholders of new subsidiaries	**11,800**	–
Net cash used in activities	**(1,131,579)**	(1,130,156)
Net decrease in cash and cash equivalents	**(188,263)**	(462,561)
Cash and cash equivalents at 1 January	**2,198,539**	2,661,100
Cash and cash equivalents at 31 December	**2,010,276**	2,198,539
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**2,010,276**	2,198,539

1. GENERAL

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

As of 31 December 2020, the Group had net current liabilities of RMB8,419,853,000 (2019: RMB5,144,812,000). Taking into account of the historical settlement and addition pattern of the coupon liabilities (disclosed under contract liabilities) and the Group's ability to withdraw the non-current unrestricted term deposits of RMB3,485,300,000, the directors of the Company consider that the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*[4]
Amendments to HKFRS 3	*Reference to the Conceptual Framewrok*[2]
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018-2020*[2]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 June 2020.

5 Effective for annual periods beginning on or after 1 January 2021.

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

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

Goodwill

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

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

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

3.2 Significant accounting policies (Continued)

Goodwill (Continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

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

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interests in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

3.2 Significant accounting policies (Continued)

Interests in associates (Continued)

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments* ("HKFRS 9")/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

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

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

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

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time.

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

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

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

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

Sale with a right of return/exchange

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

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

(b) a refund liability/contract liability; and

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

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent

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

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

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

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

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

Lease modifications

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

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

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as other revenue.

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Borrowing costs

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

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

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

3.2 Significant accounting policies (Continued)

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income and other gains and losses".

Retirement benefit costs and termination benefits

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

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

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

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

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Certain software in the course of construction for administrative purposes are carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate categories of intangible assets when completed and ready for intended use. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

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

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Intangible assets acquired separately (Continued)

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (trade receivables, other receivables, amounts due from fellow subsidiaries/associates, term deposits and bank balances and cash), and other items (finance lease receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade receivables and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Principal versus agent consideration (principal)

The Group engages in chain store operation including hypermarket, supermarket and convenience stores. The Group acts as the principal for daily sales of merchandise transactions as it controls the specified goods before it is transferred to the customer after taking into consideration of the key indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk on the merchandises.

Allocation of the consideration between lease components and non – lease components

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

The Group applies judgement to allocate the consideration between the lease components and non-lease components. The assessment of stand-alone price for the non-lease components significantly affects the amount of lease liabilities and right-of-use assets recognised.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit at a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As at 31 December 2020, the carrying amount of goodwill was RMB127,953,000 (net of accumulated impairment loss of RMB23,988,000) (2019: RMB127,953,000 (net of accumulated impairment loss of RMB23,988,000)). Details of the impairment testing on goodwill are set out in note 21.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets are RMB3,407,002,000 (2019: RMB3,452,466,000) and RMB6,968,377,000 (2019: RMB7,480,238,000) respectively. Details of the impairment of property, plant and equipment and right-of-use assets are set out in note 20.

Deferred tax assets

As at 31 December 2020, no deferred tax asset has been recognised in respect of the tax losses of RMB3,420,557,000 (2019: RMB3,370,430,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Fair value measurement of financial instruments

Certain of the Group's financial assets amounting to RMB57,344,000 as at 31 December 2020 (2019: RMB1,307,938,000) are measured at fair values with fair values being determined by using discounted cash flow on expected yield of the underlying investment portfolio. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details of the fair value measurements are set out in note 47c.

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without under costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The information about the ECL and the Group's trade receivables are disclosed in notes 30 and 47b.

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2020, the carrying amount of property, plant and equipment was RMB3,407,002,000.

Estimated store closure provision

The Group follows HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to recognise store closure provision. Provisions are recognised when the Group has a constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Store closure provision comprises mainly lease termination cost and employee compensations with corresponding amounts included in other expenses. The determination of provision requires the use of estimates. As at 31 December 2020, the carrying amount of store closure provision was RMB190,487,000 (2019: RMB6,583,000).

Estimated amount of breakage

Determining the breakage amount requires an estimation of the ratio and proportion to the pattern of rights exercised by the customer. The Group recognises the amount at an expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilized by the customers for certain period of time. The breakage amounts are recognised as revenue from contract liabilities according to HKFRS 15. As at 31 December 2020, the carrying amount of the contract liabilities was RMB8,138,152,000 (2019: RMB8,022,516,000).

5. REVENUE AND OTHER REVENUE

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

(i) Disaggregation of revenue from contracts with customers

Type of Revenue

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue		
Sales of merchandise	**26,331,155**	25,859,198
Services		
Income from suppliers (service income)	**1,590,222**	1,593,557
Franchising income from franchised stores	**42,689**	41,852
Commission income on coupon redemption at other retail shops	**8,661**	3,918
	1,641,572	1,639,327
Total	**27,972,727**	27,498,525

Timing of revenue recognition

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
At a point in time	**26,339,816**	25,863,116
Over time	**1,632,911**	1,635,409
Total	**27,972,727**	27,498,525

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue		
Revenue from contracts with customers – sales of merchandise	**26,331,155**	25,859,198
Other revenue from contracts with customers – services	**1,641,572**	1,639,327
Rental income from leasing of shop premises	**528,536**	645,843
	2,170,108	2,285,170
Total revenue and other revenue	**28,501,263**	28,144,368

5. REVENUE AND OTHER REVENUE (Continued)

(ii) Performance obligations for contracts with customers

Sales of merchandise

For merchandise sold in stores, revenue is recognised at the point of sales terminals. For online or wholesale of merchandise, revenue is recognised on collection by the customers.

Service income from suppliers

Service income from suppliers include information technology services, promotion services as well as logistic services. Such service income are recognised over time at the rate of each service item specified in the contract.

Franchising income from franchise stores

Franchising income is charged to the franchisee for the utilization of the brand of the Group. Franchising income is recognised over time in accordance with the rate specified in the contract.

Commission income on coupon redemption at other retail shops

Commission income is charged to the retailers when customers redeem the Group's coupon at their retail shops. Commission fee is recognised at a point in time when customers redeemed the coupons.

(iii) Leases

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
For operating leases: Fixed lease payments	**503,691**	603,670
For finance leases: Finance income on the net investment in the lease	**24,845**	42,173
Total revenue arising from leases	**528,536**	645,843

6. SEGMENT INFORMATION

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

Specifically, the reportable segments of the Group under HKFRS 8 are as follows:

- Hypermarket chain operation ("Hypermarket")
- Supermarket chain operation ("Supermarket")
- Convenience store chain operation ("Convenient store")
- Other operations

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

Segment revenues and results

The following is an analysis of the Group's revenue (including revenue and other revenue) and results from continuing operations by operating and reportable segment for the current and prior years:

	Segment revenue		Segment results	
	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000	**Year ended 31/12/2020 RMB'000**	Year ended 31/12/2019 RMB'000
Hypermarket	**16,443,618**	16,549,191	**118,658**	372,759
Supermarket	**10,245,431**	9,575,930	**175,522**	(36,963)
Convenience store	**1,643,270**	1,912,790	**(209,913)**	(282,420)
Other operations	**168,944**	106,457	**184,243**	49,582
	28,501,263	28,144,368	**268,510**	102,958

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Segment results	**268,510**	102,958
Unallocated interest income	**51,343**	57,672
Unallocated income	**6,515**	7,258
Unallocated expenses	**(276,799)**	(200,051)
Share of results of associates	**(65,043)**	(13,938)
Consolidated loss before taxation	**(15,474)**	(46,101)

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results did not include share of profits 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.

Segment assets

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

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
– Hypermarket	**14,514,737**	14,373,277
– Supermarket	**5,659,443**	5,089,889
– Convenience store	**347,802**	505,783
– Other operations	**117,496**	120,801
Total segment assets	**20,639,478**	20,089,750
Interests in associates	**660,405**	725,098
Other unallocated assets	**1,920,871**	2,737,612
Total assets	**23,220,754**	23,552,460

For the purpose of monitoring segment performance and allocating resources among segments:

- all assets are allocated to operating segments other than certain financial assets, cash and cash equivalents centrally managed by headquarter and deferred tax assets.

6. SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31/12/2020

	Hypermarket RMB'000	Supermarket RMB'000	Convenience store RMB'000	Other operation RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets (note)	**463,952**	**669,867**	**60,542**	**887**	**1,195,248**
Depreciation and amortisation	**845,703**	**515,032**	**83,986**	**14,840**	**1,459,561**
Impairment losses on property, plant and equipment and right-of-use assets in profit or loss	**56,910**	**–**	**20,042**	**–**	**76,952**
Gain (loss) on disposal of property, plant and equipment, right-of-use assets and intangible assets	**292**	**(1,052)**	**110,351**	**178,844**	**288,435**
Interest income on bank balance and term deposits	**173,496**	**52,376**	**376**	**2,103**	**228,351**
Interest income on finance lease receivables (note 5)	**24,845**	**–**	**–**	**–**	**24,845**
Finance cost	**218,117**	**69,946**	**7,045**	**–**	**295,108**

Year ended 31/12/2019

	Hypermarket RMB'000	Supermarket RMB'000	Convenience store RMB'000	Other operation RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets (note)	527,245	641,566	234,571	56,663	1,460,045
Depreciation and amortisation	833,676	534,035	26,442	15,151	1,409,304
Impairment losses on property, plant and equipment and right-of-use assets in profit or loss	9,292	–	122,042	–	131,334
Gain (loss) on disposal of property, plant and equipment, right-of-use assets and intangible assets	122,662	33,786	(2,148)	(529)	153,771
Interest income on bank balance and term deposits	123,762	36,917	415	1,908	163,002
Interest income on finance lease receivables (note 5)	42,173	–	–	–	42,173
Finance cost	240,521	66,853	–	–	307,374

note:

Addition to non-current assets include the additions property, plant and equipment, construction in progress, right-of-use assets and intangible assets.

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Geographical information

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

Information about major customers

None of the revenue from any customers contributed over 10% of the total revenue of the Group for both reporting periods.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Interest income on bank balances and term deposits	**279,694**	220,674
Government grants (note i)	**96,394**	56,622
(Loss) gain on change in fair value of financial assets at FVTPL	**(3,822)**	91,751
Dividends from financial assets at FVTPL	**769**	530
Gain on disposal of property, plant and equipment and right-of-use assets (note ii)	**288,435**	153,771
Salvage sales	**30,680**	35,020
Income from breakage (note iii)	**21,944**	34,796
Others	**55,217**	58,618
Total	**769,311**	651,782

7. OTHER INCOME AND OTHER GAINS AND LOSSES (Continued)

notes:

i. The Group received unconditional government grants of RMB90,531,000 (2019: RMB48,869,000) from the PRC local government ("Authorities") as an encouragement for the operation of subsidiaries in certain jurisdictions. In addition, an amount of RMB5,863,000 (2019: RMB7,753,000) has been released from deferred income regarding the asset related government grants during the current year. Details of deferred income are set out in note 40.

ii. Of the amount of RMB288,435,000, on 30 April 2020, the Group entered into an agreement with the Authorities for the dismantlement plan carried out by the Authorities ("the Agreement"). According to the Agreement, the Authorities would pay to the Group RMB304,240,000 as compensation for dismantling the warehouse of a subsidiary of the Group. As at 31 December 2020, the relevant terms and conditions as set out in the Agreement have been fulfilled and the compensation has been received by the Group, resulting in a gain of RMB251,661,000 on disposal of right-of-use assets and property, plant and equipment.

In 2019, of the amount of RMB153,771,000, a subsidiary of the Group received an amount of RMB148,849,000 as compensation for dismantling of the warehouse of the subsidiary, resulting a gain on disposal of property, plant and equipment of RMB135,433,000.

iii. The Group recognises the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilized by the customers for certain period of time. The breakage amounts are recognised as revenue from contract liabilities according to HKFRS 15.

8. FINANCE COSTS

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Interest expense on lease liabilities	**294,903**	307,374
Interest expense on bank borrowing	**205**	–
	295,108	307,374

9. IMPAIRMENT LOSSES (RECOGNIZED) REVERSED UNDER EXPECTED CREDIT LOSS ("ECL") MODEL, NET OF REVERSALS

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Impairment losses (recognised) reversed on:		
– trade receivables	**(994)**	256
– deposits, prepayments and other receivables	**(163)**	(106)
	(1,157)	150

Details of impairment assessment are set out in note 47b.

10. OTHER EXPENSES

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Store closure expenses (note)	**259,236**	4,969
Impairment losses on property, plant and equipment (note 16)	**12,100**	9,292
Impairment losses on right-of-use assets (note 18)	**64,852**	122,042
Others	**2,146**	2,465
	338,334	138,768

Note: It comprises store closure expenses incurred and directly charged to this account and the addition amount under store closure provision as set out in note 37.

11. LOSS BEFORE TAXATION

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation and depreciation		
Depreciation of property, plant and equipment (note 16)	**347,769**	353,360
Depreciation of right-of-use assets (note 18)	**1,093,026**	1,038,528
Amortisation of intangible assets (note 19)	**18,766**	17,416
Total amortisation and depreciation	**1,459,561**	1,409,304
Share of results of associates		
Share of results before taxation	**(42,663)**	(5,527)
Less: share of income tax expense	**22,380**	8,411
	(65,043)	(13,938)
Auditors' remuneration	**5,351**	5,621
Director's remuneration (note 13)	**3,200**	3,078
Salaries, wages and other employee benefits	**2,418,971**	2,503,204
Retirement benefit scheme contribution	**111,685**	236,596
Total staff costs	**2,533,856**	2,742,878
Impairment losses recognised (reversed) under ECL model, net of reversal	**1,157**	(150)
Write-down (reversals of write-down) of inventories	**924**	(6,750)
Cost of inventories recognised as expenses	**22,795,864**	22,340,358

During the year ended 31 December 2020, the Group recognised Covid-19 related government grants offered by the PRC government amounted to RMB179,187,000 (2019: nil). The amount has been offset against employee benefits expenses in the current year.

12. INCOME TAX EXPENSE

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Current tax on the PRC Enterprise Income Tax ("EIT")	**169,514**	191,730
Deferred tax expense (note 27)	**2,609**	4,168
	172,123	195,898

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries is 25%. Certain subsidiaries are entitled to EIT at preferential rate of 15% as those entities are located in the western China. In addition, certain subsidiaries which are qualified as small low-profit enterprises are entitled to enjoy preferential EIT rate with ranging 5% to 10%.

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Loss before tax	**(15,474)**	(46,101)
Tax at PRC EIT tax rate of 25% (2019: 25%)	**(3,869)**	(11,525)
Tax effect of share of results of associates	**16,261**	3,484
Tax effect of expenses not deductible for tax purpose	**488**	1,112
Tax effect of income not taxable for tax purpose	**(2,688)**	(1,394)
Tax effect of tax losses and deductible temporary differences not recognised	**214,430**	229,601
Utilisation of tax losses previously not recognised	**(50,683)**	(24,133)
Effect of different tax rates of subsidiaries	**(1,816)**	(1,247)
Income tax expense for the year	**172,123**	195,898

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION

(1) Directors' emoluments

The remuneration of each director for the year ended 31 December 2020 is set out below:

Name of director	Fees		Basic salaries allowances and benefits in kind		Discretionary bonus (note a)		Retirement benefit costs		Medical benefits		Total	
RMB'000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Executive/Non-executive Directors:												
Mr. Xu Tao (note b)	**–**	–	**1,320**	1,320	**1,190**	1,056	**67**	74	**23**	27	**2,600**	2,477
Mr. Ye Yong-ming	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Ms. Xu Zi-ying	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Qian Jian-qiang (note c)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Zhang Shenyu (note d)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Ms. Zheng Xiao-yun (note e)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Dong Xiaochun (note f)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Wong Tak Hung	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Xu Hong	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Independent non-executive Directors:												
Mr. Xia Da Wei	**150**	150	**–**	–	**–**	–	**–**	–	**–**	–	**150**	150
Mr. Lee Kwok Ming, Don	**150**	150	**–**	–	**–**	–	**–**	–	**–**	–	**150**	150
Mr. Chen Wei	**150**	150	**–**	–	**–**	–	**–**	–	**–**	–	**150**	150
Mr. Zhang Jun (note g)	**–**	38	**–**	–	**–**	–	**–**	–	**–**	–	**–**	38
Mr. Zhao Xinsheng (note h)	**150**	113	**–**	–	**–**	–	**–**	–	**–**	–	**150**	113
Total	**600**	601	**1,320**	1,320	**1,190**	1,056	**67**	74	**23**	27	**3,200**	3,078

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

(1) Directors' emoluments (Continued)

notes:

(a) The discretionary bonus is determined based on the Group's and personal performance.

(b) Mr. Xu Tao is the chief executive officer and general manager of the Group.

(c) Mr. Qian Jian-qiang was retired from the the non-executive director of the Company on 22 June 2020.

(d) Mr. Zhang Shen-yu was elected as the non-executive director of the Company on 22 June 2020.

(e) Ms. Zheng Xiao-yun was retired from the non-executive director of the Company on 22 June 2020.

(f) Mr. Dong Xiao-chun was elected as the non-executive director of the Company on 22 June 2020.

(g) Mr. Zhang Jun was resigned from the independent non-executive director of the Company on 29 March 2019.

(h) Mr. Zhao Xin-sheng was elected as the independent non-executive director of the Company on 29 March 2019.

The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. For in-service executive directors whose emoluments shown zero this year, they received all their emoluments from Bailian Group.

The non-executive director's emoluments shown above were for their services as directors of the Company or its subsidiaries. Certain directors received their emoluments from Bailian Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the general manager waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

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

(2) Supervisory committee members' emoluments

The remuneration of each supervisor for the year ended 31 December 2020 is set out below:

Name of supervisor	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (note a)		Retirement benefit costs		Medical benefits		Total	
RMB'000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Mr. Yang A-guo	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Tao Qing	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Shi Hao-gang (note b)	–	–	–	519	–	277	–	67	–	25	–	888
Mr. Li Feng (note c)	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Tang Hao (note d)	–	–	507	507	306	270	67	74	23	27	903	878
Total	–	–	507	1,026	306	547	67	141	23	52	903	1766

notes:

(a) The supervisors' emoluments shown above were for their services as supervisors of the Company. Certain supervisors did not receive emoluments from the Group, received their emoluments from Bailian Group during the year. There was no arrangement under which a supervisor waived or agreed to waive any emoluments during both current and prior reporting period.

(b) Mr. Shi Hao-gang was resigned from the supervisory of the Company on 11 December 2019.

(c) Mr. Li Feng was elected as the supervisory of the Company on 22 June 2020.

(d) Ms. Tang Hao was elected as the supervisory of the Company on 11 December 2019.

(3) Senior management's emoluments

The remuneration of each senior management for the year ended 31 December 2020 is set out below:

Name	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (note a)		Retirement benefit costs		Medical benefits		Total	
RMB'000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Ms. Hu Li-ping (note b)	–	–	376	752	135	250	26	74	8	27	545	1,103
Mr. Chong Xiao-bing (note c)	–	–	1,200	469	834	197	44	38	30	14	2,108	718
Mr. Liang Bao-long	–	–	617	617	224	216	67	74	23	27	931	934
Mr. Zhang Hui-qin	–	–	294	305	7,978	9,074	61	68	25	21	8,358	9,468
Mr. Xi Yu (note d)	–	–	–	74	–	89	–	18	–	6	–	187
Mr. Dai Yu-peng (note e)	–	–	–	720	–	402	–	–	–	29	–	1,151
Mr. Dong Gang	–	–	1,080	1,080	722	688	67	73	24	27	1,893	1,868
Mr. Wang Song (note f)	–	–	439	–	293	–	46	–	16	–	794	–
Mr. Xu Xiao-yi (note g)	–	–	360	–	181	–	46	–	16	–	603	–
Total	–	–	4,366	4,017	10,367	10,916	357	345	143	151	15,232	15,429

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

(3) Senior management's emoluments (Continued)

notes:

(a) The discretionary bonus is determined based on the Group's and personal performance.

(b) Mr. Hu Li-ping was retired from the chief financial officer of the Company on 10 June 2020.

(c) Mr. Chong Xiao-bing was appointed as the executive deputy general manager of the Company in August 2019.

(d) Mr. Xi Yu was resigned from the deputy general manager of the Company in March 2019.

(e) Mr. Dai Yu-peng ceased to be the deputy general manager of the Company in August 2019.

(f) Mr. Wang Song was elected as the chief financial officer of the Company on 10 June 2020.

(g) Ms. Xu Xiao-yi was elected as the secretary of the board, company secretary and the vice chief financial officer of the Company on 10 June 2020.

The senior managements' emoluments shown above were for their services as one of the key management teams rendered to the Company.

14. FIVE HIGHEST PAID EMPLOYEES

In both years, none of the five highest paid individuals was a director or supervisor of the Company. The aggregate emoluments of these five highest paid individuals are as follows:

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Salaries, allowances and benefits in kind	**1,183**	1,230
Discretionary bonus	**29,323**	35,795
Retirement benefits	**305**	340
Medical benefits	**126**	105
	30,937	37,470

14. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands:

	Number	
	Year ended 31/12/2020	Year ended 31/12/2019
HK$5,500,001—HK$6,000,000	**3**	–
HK$6,000,001—HK$6,500,000	**–**	1
HK$6,500,001—HK$7,000,000	**–**	2
HK$7,500,001—HK$8,000,000	**1**	–
HK$8,000,001—HK$8,500,000	**–**	–
HK$8,500,001—HK$9,000,000	**–**	1
HK$9,000,001—HK$9,500,000	**1**	–
HK$10,000,001—HK$10,500,000	**–**	1

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office for the current and prior years.

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Loss for the year attributable to owners of the Company	**(319,286)**	(378,301)

	Year ended 31/12/2020	Year ended 31/12/2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,119,600,000**	1,119,600,000

No diluted loss per share is presented as there was no potential ordinary shares in issue for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Transportation vehicles and equipment RMB'000	Operating and office equipment RMB'000	Total RMB'000
COST					
At 1 January 2019	3,164,430	2,067,113	263,399	1,586,042	7,080,984
Additions	515	159,092	40,250	85,470	285,327
Transfer from construction– in progress (note 17)	–	35,196	–	1,139	36,335
Disposals	(8,256)	(161,232)	(15,604)	(118,784)	(303,876)
At 31 December 2019	3,156,689	2,100,169	288,045	1,553,867	7,098,770
Additions	43,839	110,497	4,022	75,887	234,245
Transfer from construction– in progress (note 17)	104,444	7,025	–	5,393	116,862
Disposals	(118,667)	(210,481)	(9,881)	(182,098)	(521,127)
At 31 December 2020	**3,186,305**	**2,007,210**	**282,186**	**1,453,049**	**6,928,750**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2019	783,769	1,466,420	169,602	1,157,397	3,577,188
Provided for the year	86,541	120,710	23,947	122,162	353,360
Impairment loss recognised	–	9,292	–	–	9,292
Eliminated on disposals	(4,818)	(156,863)	(13,792)	(118,063)	(293,536)
At 31 December 2019	865,492	1,439,559	179,757	1,161,496	3,646,304
Provided for the year	95,903	116,647	20,464	114,755	347,769
Impairment loss recognised	–	12,100	–	–	12,100
Eliminated on disposals	(102,660)	(200,203)	(9,121)	(172,441)	(484,425)
At 31 December 2020	**858,735**	**1,368,103**	**191,100**	**1,103,810**	**3,521,748**
CARRYING VALUES					
At 31 December 2020	**2,327,570**	**639,107**	**91,086**	**349,239**	**3,407,002**
At 31 December 2019	2,291,197	660,610	108,288	392,371	3,452,466

notes:

(a) Among the depreciation expense of RMB347,769,000 (2019: RMB353,360,000), RMB297,049,000 (2019: RMB304,112,000) and RMB50,720,000 (2019: RMB49,248,000) were included in distribution and selling expenses and administrative expenses respectively.

(b) As at 31 December 2020, the carrying amount of certain buildings without building ownership certificates is RMB461,469,000 (2019: RMB12,510,000).

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

Buildings	25 – 40 years
Leasehold improvements	Over the shorter of the term of the lease, or 5-8 years
Transportation vehicles and equipment	5 – 8 years
Operating and office equipment	3 – 8 years

Details of the impairment assessment are set out in note 20.

17. CONSTRUCTION IN PROGRESS

	Construction in progress RMB'000
At 1 January 2019	31,279
Additions	60,475
Transfer to property, plant and equipment (note 16)	(36,335)
Transfer to intangible assets (note 19)	(22,074)
At 31 December 2019	33,345
Additions	**119,935**
Transfer to property, plant and equipment (note 16)	**(116,862)**
Transfer to right-of-use assets (note 18)	**(1,390)**
Transfer to intangible assets (note 19)	**(24,794)**
At 31 December 2020	**10,234**

18. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Buildings RMB'000	Total RMB'000
As at 31 December 2020			
Carrying amount	775,834	6,192,543	6,968,377
As at 31 December 2019			
Carrying amount	838,878	6,641,360	7,480,238
For the year ended 31 December 2020			
Depreciation charge	(25,388)	(1,067,638)	(1,093,026)
Impairment (note)	–	(64,852)	(64,852)
New lease entered	–	692,831	692,831
Lease modification	–	120,572	120,572
Transferred from construction in progress	1,390	–	1,390
Lease termination	(39,046)	(129,730)	(168,776)
For the year ended 31 December 2019			
Depreciation charge	(26,258)	(1,012,270)	(1,038,528)
Impairment (note)	–	(122,042)	(122,042)
New lease entered	–	1,101,421	1,101,421
Lease termination	–	(417,763)	(417,763)

18. RIGHT-OF-USE ASSETS (Continued)

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Expense relating to short-term leases	**2,459**	149,499
Variable lease payments not included in the measurement of lease liabilities	**8,231**	9,171
Total cash outflow for leases	**1,354,657**	1,405,132
Addition to right-of-use assets	**813,403**	1,101,421

For both years, the Group leases various chain stores for its operations. Lease contracts are entered into for fixed term of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained all the land use right certificates for all leasehold lands.

The Group regularly entered into short-term leases for stores. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the year ended 31 December 2020, lessors of the relevant retail stores provided rent concessions to the Group through monthly rent reductions ranging from 4% to 100% over one to twelve months (2019: nil).

The Group opted not to apply the practical expedient under HKFRS 16.46A and concluded the changes in lease payments constitute lease modifications. The net reduction in lease modification represents the offsetting effect of rent concessions from lessors and extension of certain lease contracts of the Group during the current year.

18. RIGHT-OF-USE ASSETS (Continued)

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on 0.3% to 10% of sales and minimum annual lease payments that are fixed over the lease term. No variable payment term includes cap clauses. Such payment terms are common in retail stores in PRC where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for both years are presented as follows:

Variable lease payments

For the year ended 31 December 2020

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores without variable lease payments	**1,161**	**1,319,324**	**–**	**1,319,324**
Retail stores with variable lease payments	**28**	**47,255**	**8,231**	**55,486**
	1,189	**1,366,579**	**8,231**	**1,374,810**

For the year ended 31 December 2019

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores without variable lease payments	1,451	1,187,216	–	1,187,216
Retail stores with variable lease payments	27	56,147	9,171	65,318
	1,478	1,243,363	9,171	1,252,534

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable lease payments are expected to continue to represent a similar proportion of store sales in future years.

Restrictions or covenants on leases

In addition, lease liabilities of RMB7,103,766,000 are recognised with related right-of-use assets of RMB6,968,377,000 as at 31 December 2020 (2019: lease liabilities of RMB7,528,356,000 and related right-of-use assets of RMB7,480,238,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes or be subleased under certain circumstances.

Details of impairment assessment of right-of-use assets are set out in note 20.

19. INTANGIBLE ASSETS

	Software RMB'000
COST	
At 1 January 2019	245,113
Additions	12,822
Transfer from construction in progress (note 17)	22,074
Disposals	(7,150)
At 31 December 2019	272,859
Additions	27,665
Transfer from construction in progress (note 17)	24,794
Disposals	(9,823)
At 31 December 2020	**315,495**
AMORTISATION AND IMPAIRMENT	
At 1 January 2019	162,643
Charge for the year	17,416
Eliminated on disposals	(7,150)
At 31 December 2019	172,909
Charge for the year	18,766
Eliminated on disposals	(9,823)
At 31 December 2020	**181,852**
CARRYING VALUES	
At 31 December 2020	**133,643**
At 31 December 2019	99,950

notes:

(a) Among the amortisation charge of RMB18,766,000 (2019: RMB17,416,000) for the year ended 31 December 2020, RMB4,325,000 (2019: RMB3,418,000) and RMB14,441,000 (2019: RMB13,998,000) were included in distribution and selling expenses and administrative expenses respectively.

(b) Software has finite useful lives and is amortised on a straight-line basis over 5 to 10 years.

20. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT OF USE ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL

Due to the poor performance of certain retail stores, the management of the Group concluded that there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets with carrying amounts of RMB68,367,000 and RMB916,146,000 respectively. The Group estimates the recoverable amount of the cash generating units (CGUs) of retail stores with poor performance to which the asset belongs are having impairment indicators.

The recoverable amount of respective CGU has been determined based on a value in use calculation. The Group uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate of 10.25% as at 31 December 2020 (2019: 10.6%). The annual growth rate used is ranging from 0% to 3.25% (2019: from 0 to 2%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated for perpetuity. Another key assumption for the value in use calculation is the budgeted sales and gross margin, which is determined based on the CGUs' past performance and management judgement on expectations for the market development. The growth and discount rates have been reassessed as at 31 December 2020 taking into consideration of higher degree of estimation uncertainties in the current year including how the Covid-19 pandemic may evolve and potential disruptions of the Group's retail operation.

Based on the result of the assessment, management of the Group determined that the recoverable amounts of certain CGUs are lower than their corresponding carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment of RMB12,100,000 (2019: RMB9,292,000) and RMB64,852,000 (2019: RMB122,042,000) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively.

21. IMPAIRMENT TESTING ON GOODWILL

	RMB'000
COST	
At 31 December 2019 and 31 December 2020	151,941
IMPAIRMENT	
At 31 December 2019 and 31 December 2020	(23,988)
CARRYING VALUE	
At 31 December 2019 and 31 December 2020	**127,953**

For the purpose of impairment testing, goodwill has been allocated to each individual CGU identified according to the separate acquisition. The goodwill as at 31 December 2020 allocated to these CGUs is as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Hangzhou Lianhua Huashang Supermarket Group Co., Ltd. (杭州聯華華商集團有限公司)	**69,534**	69,534
Guangxi Lianhua Supermarket Joint Stock Co., Ltd. (廣西聯華超市股份有限公司)	**47,638**	47,638
Others	**10,781**	10,781
	127,953	127,953

In addition to goodwill, property, plant and equipment, intangible assets and right-of-use assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amounts of the CGUs are determined based on a value-in-use calculations. Their recoverable amounts are based on certain similar key assumptions as the management adopted in assessing the impairment of tangible assets. The value-in-use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period as extrapolated for perpetuity using a growth rate of 0% (2019: 0% to 5%), as appropriate, and a discount rate at 10.25% (2019: 10.6%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimations are based on these relevant CGUs' past performance and the management's expectations for the market condition. The management believes that any reasonably possible change in any of these assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the relevant CGUs.

22. INTERESTS IN ASSOCIATES

The Group

	31/12/2020 RMB'000	31/12/2019 RMB'000
Unlisted equity investments	**472,467**	472,117
Share of post – acquisition profits and other comprehensive income net of dividends received	**187,938**	252,981
	660,405	725,098

22. INTERESTS IN ASSOCIATES (Continued)

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of registration/ Principal place of business	Proportion of ownership interest held by the Group		Principal activity
		31/12/2020 %	31/12/2019 %	
Shanghai Carhua Supermarket Co., Ltd.("Carhua") (上海聯家超市有限公司("聯家"))	The PRC	**45.00**	45.00	Hypermarket
Shanghai Sanming Taige information technology Co., Ltd. (上海三明泰格信息技術有限公司)	The PRC	**45.00**	45.00	Trading Company
Shanghai Gude commerce Company (上海谷德商貿合作公司)	The PRC	**27.00**	27.00	Trading Company
Tianjin Yishang Friendship Holdings Co.,Ltd. ("Tianjin Yishang") (天津一商友誼股份有限公司 ("天津一商"))	The PRC	**20.00**	20.00	Department Stores
Shanghai Aofa Trading Development Co., Ltd. (上海澳發商貿發展有限公司)	The PRC	**30.00**	30.00	Trading Company
Hangzhou Longlian Selected Restaurant Co., Ltd. (杭州龍聯精選餐飲有限公司)	The PRC	**40.00**	40.00	Catering Service
Bailian Financial Services Co., Ltd. ("Bailian Financial Services") (百聯金融服務有限公司("百聯金服")) (note i)	The PRC	**11.77**	11.77	E-commerce
Hangzhou Jiangtou Lianhua Supermarket Co., Ltd. ("Jiangtou") (杭州江投聯華超市股份有限公司 ("江投"))(note ii)	The PRC	**49.00**	49.00	Supermarket
Zhejiang Jiuciyuan Network Technology Co., Ltd. ("Jiuciyuan") (浙江九次元網路科技有限公司 "九次元"))(note iii)	The PRC	**23.80**	–	E-commerce

22. INTERESTS IN ASSOCIATES (Continued)

notes:

i. The Group is able to exercise significant influence over Bailian Financial Service because it has appointed two out of the five directors of Bailian Financial Service.

ii. On 31 October 2019, a subsidiary of the Group and a third party established Jiangtou with a total investment of RMB10,000,000. The Group invested RMB4,900,000, represents 49% of equity interest in Jiangtou.

iii. The Group entered in to a share transfer agreement with Zhejiang Liangshi investment management Co., Ltd., pursuant to which the Group agreed to acquire 23.8% of equity interest in Jiuciyuan with consideration of RMB350,000. The consideration was paid on 31 December 2020.

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

Summarised financial information in respect of each of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

Carhua

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	**2,069,527**	1,903,448
Non-current assets	**953,434**	1,349,022
Current liabilities	**1,641,526**	1,783,179
Non-current liabilities	**408,315**	613,699

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue	**4,439,905**	4,506,009
Profit for the year	**117,528**	9,823
Dividends received from the associate during the year	**–**	–

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Net assets of Carhua	**973,120**	855,592
Proportion of the Group's ownership interest in Carhua	**45%**	45%
Carrying amount of the Group's interest in Carhua	**437,904**	385,017

22. INTERESTS IN ASSOCIATES (Continued)

Tianjin Yishang

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	434,096	3,233,386
Non-current assets	900,359	882,520
Current liabilities	1,641,084	2,813,614
Non-current liabilities	429,548	699,436

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue	900,565	1,145,721
Loss for the year	(1,339,033)	(108,554)
Other comprehensive income during the year	–	–

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Net assets of Tianjin Yishang	(736,177)	602,856
Proportion of the Group's ownership interest in Tianjin Yishang	20%	20%
The Group's interest in Tianjin Yishang	(147,235)	120,571
Goodwill	6,787	6,787
Carrying amount of the Group's interest in Tianjin Yishang (note)	–	127,358

22. INTERESTS IN ASSOCIATES (Continued)

Tianjin Yishang (Continued)

Note:

In 2019, the Group has dispute over the opening adjustments made by the management of Tianjin Yishang in its unaudited consolidated financial statements for the year ended 31 December 2019 due to internal reorganisation of its parent. The adjustments were mainly related to write-off of certain receivables owed by the related entities to Tianjin Yishang (the "Adjustments"). As a result of the Adjustments, the net assets of Tianjin Yishang as at 31 December 2018 was decreased by RMB1,110 million. The Company considered the Adjustments were lack of legal basis, and such matter was not resolved at its general meeting while the Company has the right to attend. In addition, the Adjustments had not been audited by the auditor of Tianjin Yishang up to the date of the Company's 2019 annual report was approved. Accordingly, the Company did not include such groundless Adjustments when accounting for the interest in Tianjin Yishang in its consolidated financial statements for the year ended 31 December 2019.

During the year ended 31 December 2020, the Company continues to communicate with the management of Tianjin Yishang but failed to reach a consensus on the Adjustments being recognised in the audited financial statements of Tianjin Yishang for the year ended 31 December 2019 as mentioned above. In November 2020, the Company has taken legal proceeding against Tianjin Yishang to revoke the resolution on approving the 2019 annual audited financial statements in its annual general meeting. Pursuant the civil judgement paper issued in November 2020, the Company has lost the case.

Based on legal advice, the management of the Company re-assessed the case and considered the probability of winning the case is remote. As a result, the Company recognised the Adjustments in the unaudited consolidated financial statements of Tianjin Yishang for the year ended 31 December 2020. The Group's interest in Tianjin YiShang was reduced to zero by using equity method of accounting in accordance with the Group's accounting policies as set out in note 3. Additional losses are not provided because the Group has not incurred legal or constructive obligations or made payments on behalf of the associate.

22. INTERESTS IN ASSOCIATES (Continued)

Bailian Financial Services

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	8,204,253	8,302,876
Non-current assets	39,434	41,542
Current liabilities	6,456,537	6,625,369
Non-current liabilities	–	17,400

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue	118,270	98,606
Profit for the year	85,501	37,790
Dividends appropriation from the associate during the year	–	–

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Net assets of Bailian Financial Services	1,787,150	1,701,649
Proportion of the Group's ownership interest in Bailian Financial Services	11.77%	11.77%
Carrying amount of the Group's interest in Bailian Financial Services	210,258	200,199

Aggregate information of associates that are not individually material:

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
The Group's share of loss	(631)	(466)

	31/12/2020 RMB'000	31/12/2019 RMB'000
Aggregate carrying amount of the Group's interests in these associates	12,243	12,524

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Non-current		
Unlisted equity instruments (note a)	**1,872**	21,872
Equity securities listed in Shanghai Stock Exchange	**55,812**	52,037
Total	**57,684**	73,909
Current		
Equity securities listed in Shanghai Stock Exchange	**2,614**	2,809
Unlisted financial products (note b)	**57,344**	1,307,938
Total	**59,958**	1,310,747

notes:

(a) These represent certain unlisted equity investments in the PRC.

(b) Unlisted financial products investments are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including bonds, trusts, cash funds or unlisted equity investments in the PRC in accordance with the entrusted agreements entered into between the parties involved. The gain on change in fair value of RMB12,598,000 (2019: RMB70,498,000), is credited to "other income and other gains and losses" in the current year.

24. TERM DEPOSITS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Non-current		
Restricted term deposits	**1,200,500**	310,000
Other non-current unrestricted term deposits	**3,485,300**	1,385,000
Total	**4,685,800**	1,695,000
Current		
Restricted term deposits	**700,000**	1,978,000
Other current unrestricted term deposits	**370,000**	263,300
Total	**1,070,000**	2,241,300

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

Restricted term deposits are term deposits placed by the Group with certain banks as a security for coupons issued to customers and are not available for other use by the Group.

Included in other current unrestricted term deposits, structured deposit of RMB100,000,000 (2019: RMB1,308,300,000) are placed with the banks in the PRC, denominated in RMB and measured as FVTPL.

The remaining term deposits are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The effective interest rates on term deposits range from 3.10% to 4.99% (2019: 2.25% to 4.99%) per annum for the Group. The carrying amounts of the term deposits of the Group approximated their fair value.

25. FINANCE LEASE RECEIVABLES

As part of the chain store operations, the Group entered into finance lease arrangements as an intermediate lessor for subleases of buildings. The average terms of finance leases entered into usually range from 3 to 12 years. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

There is no guaranteed residual values for the lease contracts.

	Minimum lease payment	Present value of mimimum lease payment	Minimum lease payment	Present value of mimimum lease payment
	31/12/2020	31/12/2020	**31/12/2019**	31/12/2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance lease receivables comprise:				
Within one year	**59,354**	56,798	**65,496**	62,764
In the second year	**64,200**	56,801	**65,234**	57,661
In the third year	**62,741**	51,263	**67,350**	55,046
In the fourth year	**58,616**	44,174	**64,820**	48,901
In the fifth year	**60,877**	42,450	**60,261**	41,939
After five years	**63,691**	40,333	**127,577**	78,245
	369,479	291,819	**450,738**	344,556
Unguaranteed residual values	**–**	–	**–**	–
Gross investment in the lease	**369,479**	N/A	**450,738**	N/A
Less: unearned finance income	**(77,660)**	N/A	**(106,182)**	N/A
Present value of minimum lease payment receivables	**291,819**	N/A	**344,556**	N/A
Analysed as:				
Current	**59,354**	37,291	**65,496**	39,376
Non-current	**310,125**	254,528	**385,242**	305,180
	369,479	291,819	**450,738**	344,556

Weighted average interest rates implicit in the above finance leases is 8.00% (2019: 8.0%).

There is no accumulated impairment loss in the carrying amount of the above finance lease receivables as at 31 December 2020 and 2019.

The Group is not exposed to foreign currency risk as all the leases are denominated in RMB, same as the functional currency of the group entities.

Details of impairment assessment are set out in note 47b.

26. PREPAID RENTAL

Prepaid rental represents advance payment for the short term lease of certain store premises and is amortised over the relevant lease periods.

27. DEFERRED TAXATION

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Deferred tax assets	**7,883**	2,933
Deferred tax liabilities	**(101,947)**	(94,388)
	(94,064)	(91,455)

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

	Fair value adjustments RMB'000	**ECL provision and inventory allowances** RMB'000	**Accrued expenses** RMB'000	**Accrued income** RMB'000	**Total** RMB'000
At 1 January 2019	(70,437)	1,767	4,156	(22,773)	(87,287)
Credit (charge) to profit or loss	19,598	(9)	(2,981)	(20,776)	(4,168)
At 31 December 2019	(50,839)	1,758	1,175	(43,549)	(91,455)
Credit (charge) to profit or loss	16,310	284	(334)	(18,869)	(2,609)
At 31 December 2020	**(34,529)**	**2,042**	**841**	**(62,418)**	**(94,064)**

The unrecognised tax losses and deductible temporary differences are as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Unrecognised unused tax losses	**3,420,557**	3,370,430
Unrecognised deductible temporary differences	**985,174**	814,296
	4,405,731	4,184,726

At the end of the reporting period, the Group had unused tax losses of approximately RMB3,420,557,000 (31 December 2019: RMB3,370,430,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

27. DEFERRED TAXATION (Continued)

The unrecognised unused tax losses will expire as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Year of expiring		
2020	–	402,393
2021	**645,331**	694,534
2022	**659,367**	711,858
2023	**712,274**	799,964
2024	**716,745**	761,681
2025	**686,840**	–
	3,420,557	3,370,430

28. OTHER NON-CURRENT ASSETS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Interest receivable on term deposits	**209,693**	63,171

29. INVENTORIES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Merchandise for resale	**2,666,469**	2,764,918
Write-down for obsolescence	**(2,038)**	(1,114)
	2,664,431	2,763,804
Low value consumables	**13,228**	11,207
	2,677,659	2,775,011

During the year, the management of the Group assessed that there was a write-down of inventories amounting to RMB1,524,000 (2019: nil) and has been recognised in cost of sales.

During the year, the selling prices for certain merchandises have increased. As such, a reversal of write-down of RMB600,000 (2019: RMB6,750,000) has been recognised and included in cost of sales in the current year.

30. TRADE RECEIVABLES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Trade receivables – contracts with customers	189,076	169,049
Less: allowance for credit losses (note 47b)	(5,612)	(4,618)
	183,464	164,431

The aging analysis of the trade receivables net of allowance for credit losses at 31 December 2020, arising principally from the Group sales of merchandise with credit terms ranging from 30 to 60 days (2019: 30 to 60 days), presented as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
0 – 30 days	178,780	161,692
31– 60 days	1,252	963
61– 90 days	3,255	1,432
91 days – one year	177	344
	183,464	164,431

The aging is determined from the date on which the control of the goods or services is transferred to the customers till the end of the reporting period.

The trade receivables are mainly public institutions with good credit standing. The management considered the credit quality of the trade receivables that are neither past due nor impaired were good and there was no default from those debtors in historical record. For trade receivables which are past due, the Group has applied provision matrix to measure the ECL.

Aging of trade receivables which are past due:

	31/12/2020 RMB'000	31/12/2019 RMB'000
61-90 days	3,255	1,432
91 days – one year	177	344
	3,432	1,776

31. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Deposits and prepayments	264,205	238,336
Other receivables (note)	137,398	184,088
VAT recoverable	216,253	335,667
Less: allowance for credit loss (note 47b)	(4,022)	(3,859)
	613,834	754,232

Note: Other receivables include mainly interest receivable on bank deposits.

Details of impairment assessment of trade and other receivables are set out in note 47b.

32. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

Amounts due from/to fellow subsidiaries are trade in nature, unsecured, interest free, with credit terms ranging from 30 to 60 days (2019: 30 to 60 days). As at 31 December 2020, balances of both amounts due from/to fellow subsidiaries are all aged within 60 days (2019: 60 days).

33. AMOUNTS DUE FROM/TO ASSOCIATES

Amounts due from/to associates represent balances arising from expenses paid on behalf of certain associates and purchase of merchandise from associates respectively. Balances are all aged within 90 days (2019: 90 days) and the credit terms of the trade balances aged from 30 to 90 days (2019: 30 to 90 days). Such balances with associates are unsecured and interest free.

34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprising cash on hand and cash placed with banks in the PRC and denominated in RMB. The remittance of these funds out of the PRC is subject to the exchange control imposed by the PRC government.

Bank balances carry interest at prevailing market rates ranging 0.30% to 3.85% (2019: ranging from 0.30% to 4.50% per annum) per annum for the year ended 31 December 2020.

35. TRADE PAYABLES

The aging analysis of trade payables at the end of the reporting period, arising mainly from purchase of merchandise with credit terms ranging from 30 to 60 days (2019: 30 to 60 days), is as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
0-30 days	**1,886,322**	2,188,279
31-60 days	**706,511**	600,744
61-90 days	**394,111**	347,832
91 days – one year	**902,853**	847,338
	3,889,797	3,984,193

note: The aging is determined from the date on which the control of the goods or services is transferred to the Group till the end of the reporting period.

36. BANK BORROWING

	31/12/2020 RMB'000	31/12/2019 RMB'000
Unsecured and unguaranteed bank loan	**20,000**	–

During the year ended 31 December 2020, the Group obtained a new bank loan amounting to RMB20,000,000 (31 December 2019: Nil). The loan carries interest at fixed market rate of 3.05% per annum and is repayable within one year.

37. OTHER PAYABLES AND ACCRUALS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Payroll, staff welfare and other staff cost payable	**386,063**	321,863
Value added tax and other tax payables	**51,059**	42,994
Deposits from lessees, franchisees and other third parties	**307,212**	293,659
Dividend payable to non-controlling interests	**1,300**	–
Amount payable to other retailers upon customers' redemption of coupon issued by the Group	**16,535**	21,100
Prepayments received from franchisees and other third parties	**627,610**	655,474
Payables for acquisition of property, plant and equipment and low value consumables	**248,576**	212,459
Store closure provision (note)	**190,487**	6,583
Accruals	**137,377**	106,787
Other miscellaneous payables	**8,203**	14,950
	1,974,422	1,675,869

Note:

	Store closure provision RMB'000
Analysed for reporting purposes as:	
At 1 January 2020	6,583
Additional provision in the year	193,770
Utilisation of provision	(9,866)
At 31 December 2020	190,487

As part of the daily management process, the management of the Group review and measure the operating performance of each segment reported by the regional management team to determine the operation and development strategy of the Group. Management will exercise judgement to close those stores which are unprofitable or not viable to continue taking into account the Group's development strategy. Store closure expenses recognised are mainly employee compensation and lease termination costs for specific stores based on management's best estimate.

38. CONTRACT LIABILITIES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Coupon liabilities (note)	**7,988,044**	7,897,909
Advance from customers	**150,108**	124,607
Total	**8,138,152**	8,022,516

Note:

Gift card carries no expiry date and 100% of its face value was paid by the customers for purchasing the gift cards.

The Group recognise the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupon issued by the Group but not yet utilised by the customers for a period of time. (note 7)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**6,591,136**	6,434,500

39. LEASE LIABILITIES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Lease liabilities payable:		
Within one year	**856,082**	754,352
Within a period of more than one year but not more than two years	**1,047,667**	992,639
Within a period of more than two years but not more than five years	**2,546,349**	2,550,745
Within a period of more than five years	**2,653,668**	3,230,620
	7,103,766	7,528,356
Less: Amount due for settlement with 12 months shown under current liabilities	**(856,082)**	(754,352)
Amount due for settlement after 12 months shown under non-current liabilities	**6,247,684**	6,774,004

40. DEFERRED INCOME

	31/12/2020 RMB'000	31/12/2019 RMB'000
Government grants (note)	**5,916**	11,779

note:

The balance represents asset related government grants received from the PRC government authorities and is recognised as income over the useful lives of the related assets. The amount released and credited to other income and other gains and losses during the year amounted to RMB5,863,000 (2019: RMB7,753,000).

41. SHARE CAPITAL

	Number of shares		**Nominal value**	
	31/12/2020	31/12/2019	**31/12/2020 RMB'000**	31/12/2019 RMB'000
Ordinary shares of RMB1.00 each				
Registered, issued and fully paid:				
At 1 January 2019, 31 December 2019 and 31 December 2020	**1,119,600,000**	1,119,600,000	**1,119,600**	1,119,600

The share capital of the Company as at 31 December 2020 and 2019 comprises:

	Number of shares of RMB1.00 each		**Nominal value**	
	31/12/2020	31/12/2019	**31/12/2020 RMB'000**	31/12/2019 RMB'000
Domestic shares	**715,397,400**	715,397,400	**715,397**	715,397
Unlisted foreign shares	**31,602,600**	31,602,600	**31,603**	31,603
H shares	**372,600,000**	372,600,000	**372,600**	372,600
	1,119,600,000	1,119,600,000	**1,119,600**	1,119,600

The H shares rank pari passu in all respects with the domestic shares and the unlisted foreign shares and rank equally for all dividends declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Taiwan, Macau Special Administrative Region of the PRC or any countries other than the PRC. The transfer of the domestic and unlisted foreign shares is subject to such restrictions as the PRC laws may impose from time to time.

42. NON-CONTROLLING INTERESTS

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Balance at beginning of year	274,553	283,359
Share of profit for the year	131,689	136,302
Dividend to non-controlling interest during the year	(115,615)	(145,108)
Acquisition of additional equity interest in a subsidiary	11,800	–
Balance at end of year	302,427	274,553

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Hangzhou Lianhua Huashang Group Co., Ltd. (杭州聯華華商集團有限公司) ("Lianhua Huashang") and its subsidiaries ("Lianhua Huashang Group") at the end of the reporting period is set out below:

Lianhua Huashang Group

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	7,429,053	7,339,276
Non-current assets	6,326,427	6,108,916
Current liabilities	9,450,891	9,310,066
Non-current liabilities	3,504,144	3,380,697
Equity attributable to owners of the Company	554,212	540,485
Non-controlling interests	246,233	216,944

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue	13,487,910	13,255,971
Total cost of sales, expense and other income	(13,094,274)	(12,839,211)
Profit for the year	393,636	416,760
Profit attributable to owner of the Company	285,917	306,302
Profit attributable to non-controlling interests	107,719	110,458
Dividends paid to non-controlling shareholders	90,230	119,555
Dividends paid to the Group	272,190	371,276
Capital contribution from non-controlling shareholders	11,800	–
Net cash inflow from operating activities	1,564,469	661,782
Net cash inflow from investing activities	880,970	953,592
Net cash outflow used in financing activities	(747,873)	(899,475)
Net cash inflow	1,697,566	715,899

43. RETIREMENT BENEFIT PLANS

Defined contribution plans

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 December 2020, the government has announced some financial measures and supports for corporates to overcome the negative impacts arising from the Covid-19 pandemic. Covid-19 related government assistance amounted to RMB110,415,000 offered from the PRC government during the year have been offset against employee retirement benefit expense. The total expenses recognised in profit or loss of RMB111,752,000 (2019: RMB236,670,000) represents contributions payable to these scheme by the Group in respect of the current accounting period.

44. OPERATING LEASE ARRANGEMENT

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Within one year	**198,968**	200,836
In the second year	**130,473**	123,752
In the third year	**79,274**	86,132
In the fourth year	**53,540**	50,058
In the fifth year	**29,391**	36,024
After five years	**37,771**	46,646
	529,417	543,448

45. CAPITAL COMMITMENTS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment, construction of buildings and land use rights: – contracted for but not provided in the consolidated financial statements	**180,601**	149,026

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group generally represents equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profits.

The management of the Group reviews the capital structure regularly. The Company considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as issue of new debts or the redemption of existing debts.

47. FINANCIAL INSTRUMENTS

47a. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets

	31/12/2020 RMB'000	31/12/2019 RMB'000
Financial assets at FVTPL	**217,642**	2,692,956
Financial assets at amortised cost (including cash and cash equivalents)	**8,792,327**	5,243,484
	9,009,969	7,936,440

Financial liabilities

	31/12/2020 RMB'000	31/12/2019 RMB'000
Financial liabilities, at amortised cost	**4,250,172**	4,261,871

47b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, financial lease receivables, term deposits, cash and cash equivalents, amounts due from/to fellow subsidiaries/associates/other related parties, trade and other payables, bank borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and term deposits (see notes 34 and 24 for details). The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank balances, bank borrowing and term deposits. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

47. FINANCIAL INSTRUMENTS (Continued)

47b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. The directors of the Group considered this reform will not have significant impact to the Group as the Group's operation is in PRC.

Total interest income from financial assets and finance lease income is as follows:

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Interest income		
– Financial assets at amortised cost	**279,694**	220,674

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances and term deposits. The analysis is prepared assuming the variable-rate financial assets outstanding at the end of the reporting period were outstanding for the whole year. A 10-basis point (2019: 10-basis point) increase or decrease in the interest rates is the sensitivity rate used when reporting interest risk internally to key management personal and represent the management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 10-basis point (2019: 10-basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the years ended 31 December 2020 and 2019 would have decreased/increased by approximately RMB5,810,000 and RMB4,601,000 respectively.

Other price risk

The Group is exposed to equity and debt security price risk in relation to its financial assets at FVTPL which mainly include listed equity investments. The unlisted equity investments and legal person shares are measured at FVTPL. In the management's opinion, the sensitivity of these investments is then insignificant to the Group.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the market prices of the respective equity instruments had been 5% (2019: 5%) higher/lower, post-tax loss for the year ended 31 December 2020 would decrease/increase by RMB2,261,000 (2019: decrease/increase by RMB2,877,000) as a result of the changes in fair value of the financial assets at FVTPL.

47. FINANCIAL INSTRUMENTS (Continued)

47b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised as trade and other receivables, amount due from associate/ fellow subsidiaries, finance lease receivables, term deposits, cash and cash equivalents as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

Amounts due from associates and fellow subsidiaries

The Group regularly monitors the business performance of the associates and fellow subsidiaries. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate the relevant activities of these entities. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020 and 2019, the Group assessed the ECL for Amounts due from associates and fellow subsidiaries were insignificant and thus no loss allowance was recognised.

Finance lease receivables

For finance lease receivables, the Group makes periodic individual assessment on the recoverability of finance lease receivables based on historical settlement record, past experience, and also quantitative and qualitative information that are reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020 and 2019, the Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

Trade receivables

Trade receivables are due from regular institutional customers with an appropriate financial strength. The Group did not experience any significant defaults by the debtors.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current and the forecast direction of conditions at the reporting date.

47. FINANCIAL INSTRUMENTS (Continued)

47b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 31 December 2019:

At 31 December 2020

	Expected loss rate %	Trade Receivable RMB'000	Loss allowance RMB'000
Current (not past due)	**2**	**184,383**	**(4,351)**
1 – 30 days past due	**2**	**3,322**	**(66)**
More than 30 days past due	**87**	**1,371**	**(1,195)**
		189,076	**(5,612)**

At 31 December 2019

	Expected loss rate %	Trade Receivable RMB'000	Loss allowance RMB'000
Current (not past due)	2	166,092	(3,437)
1 – 30 days past due	2	1,461	(29)
More than 30 days past due	77	1,496	(1,152)
		169,049	(4,618)

Other receivables

For other receivables, most of which are interest receivables from bank and deposits paid to lessors or other third parties, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 December 2020, ECL on other receivables amounting to RMB163,000 (2019: RMB106,000) was recognised in the profit or loss.

Deposits

The directors of the Company believe that there are no significant increase in credit risk of deposits since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020 and 2019, the Group assessed the ECL for deposits were insignificant and thus no loss allowance was recognised.

47. FINANCIAL INSTRUMENTS (Continued)

47b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, term deposits and financial assets at FVTPL

The credit risk on liquid funds, i.e., bank balances and short-term term deposit, is limited because the counterparties are banks with high reputation in the PRC. In addition, the credit risk on long-term term deposits and unlisted financial products recognised as financial assets at FVTPL is also limited because the counterparties are either banks with high reputation or nationwide and regional renowned financial institutions in the PRC.

As at 31 December 2020, the Group's bank balances and term deposits deposited in the major five banks in the PRC accounted for 60.6% (2019: 57.4%) of total term deposits and cash and cash equivalents of the Group.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

47. FINANCIAL INSTRUMENTS (Continued)

47b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, term deposits and financial assets at FVTPL (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2020	Notes	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount** RMB'000
Amounts due from associates	33	Low risk	12-month ECL	77
Amounts due from fellow subsidiaries	32	Low risk	12-month ECL	43,617
Trade receivables	30	Low risk	Lifetime ECL (not credit Impaired)	184,383
		Watch list	Lifetime ECL (not credit Impaired)	3,590
		Doubtful	Lifetime ECL (not credit Impaired)	1,103
			Total	189,076
Other receivables	31	Low risk or watch list	12-month ECL	122,704
		Doubtful	Lifetime ECL (not credit Impaired)	14,606
		Loss	Lifetime ECL (credit Impaired)	88
			Total	137,398
Deposits	31	Low risk	12-month ECL	264,205
Finance lease receivables	25	Low risk	12-month ECL	291,819

2019	Note	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount** RMB'000
Amounts due from associates	33	Low risk	12-month ECL	39
Amounts due from fellow subsidiaries	32	Low risk	12-month ECL	9,075
Trade receivables	30	Low risk	Lifetime ECL (not credit Impaired)	166,092
		Watch risk	Lifetime ECL (not credit Impaired)	1,854
		Doubtful	Lifetime ECL (not credit Impaired)	1,103
			Total	169,049
Other receivables	31	Low risk or watch list	12-month ECL	171,104
		Doubtful	Lifetime ECL (not credit Impaired)	12,462
		Loss	Lifetime ECL (credit Impaired)	522
			Total	184,088
Finance lease receivables	25	Low risk	12-month ECL	344,556

47. FINANCIAL INSTRUMENTS (Continued)

47b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2020

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Amounts due from associates	–	77	77
Amounts due from fellow subsidiaries	–	43,617	43,617
Other receivables	14,530	122,868	137,398
Deposits	–	264,205	264,205
Finance lease receivables	–	291,819	291,819

2019

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Amounts due from associate	–	39	39
Amounts due from fellow subsidiaries	–	9,075	9,075
Other receivables	12,984	171,104	184,088
Finance lease receivables	–	344,556	344,556

47. FINANCIAL INSTRUMENTS (Continued)

47b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As of 31 December 2020, the Group has net current liabilities of RMB8,419,853,000 (2019: RMB5,144,812,000). Taking into account of the historical settlement and addition pattern of the contract liabilities and the Group's ability of withdrawal of non-current unrestricted term deposits of RMB3,485,300,000, the directors of the Company consider the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are contractual undiscounted cash flows.

Liabilities	Weighted average interest rate	On demand or less than 12 months	1-5 years	more than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020						
Trade payables	–	**3,889,797**	–	–	**3,889,797**	**3,889,797**
Other payables and accruals	–	**274,614**	–	–	**274,614**	**274,614**
Bank borrowing	**3.05**	**20,051**	–	–	**20,051**	**20,000**
Lease liabilities	**3.42-3.84**	**1,378,943**	**4,327,044**	**3,877,820**	**9,583,807**	**7,103,766**
Amounts due to shareholders	–	**36,234**	–	–	**36,234**	**36,234**
Amounts due to fellow subsidiaries	–	**28,131**	–	–	**28,131**	**28,131**
Amounts due to associates	–	**1,394**	–	–	**1,394**	**1,394**
Amounts due to other related parties	–	**2**	–	–	**2**	**2**
		5,629,166	**4,327,044**	**3,877,820**	**13,834,030**	**11,353,938**
As at 31 December 2019						
Trade payables	–	3,984,193	–	–	3,984,193	3,984,193
Other payables and accruals	–	248,509	–	–	248,509	248,509
Lease liabilities	3.60-3.84	1,120,161	4,418,932	3,754,697	9,293,790	7,528,356
Amounts due to fellow subsidiaries	–	25,156	–	–	25,156	25,156
Amounts due to associates	–	1,262	–	–	1,262	1,262
Amounts due to other related parties	–	2,751	–	–	2,751	2,751
		5,382,032	4,418,932	3,754,697	13,555,661	11,790,227

47. FINANCIAL INSTRUMENTS (Continued)

47c. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group discussed with banks (representing the counterparties of the Group's purchased financial assets at FVTPL) to perform the valuation. The chief financial officer works closely with the bankers to establish the appropriate valuation techniques, inputs to the model and verifies the indicated expected return with the actual return on date of maturity. The chief financial officer reports the findings to the board of directors of the Company at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets.

Fair value measurements recognised in the consolidated statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31/12/2020 RMB'000	31/12/2019 RMB'000			
1) Investments in low risk bank financial products classified as financial assets at FVTPL in the consolidated statement of financial position	**Assets – 157,344**	Assets – 2,616,238	Level 2	Discounted cash flow was used to capture the present value of the expected future economic benefit that will flow to the Group.	Not applicable.
2) Investment in equity shares listed in Shanghai Stock Exchange classified as financial assets at FVPTL in the consolidated statement of financial position	**Assets – 58,426**	Assets – 54,846	Level 1	Quoted bid prices in an active market	Not applicable
3) Unquoted equity investments classified as financial assets at FVTPL	**Assets – 1,872**	Assets – 21,872	Level 3	Discounted cash flow. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio, discounted at a rate that reflects the credit risk of various counterparties.	Expected yield of the underlying investment portfolio and the discount rate.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable to non-controlling interests	Bank borrowing	Amounts due to Shanghai Bailian	Lease liabilities	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 37	note 36		note 39		
At 1 January 2019	14,127	–	28,176	7,961,049	283,359	8,286,711
Financing cash flows	(159,235)	–	(28,176)	(942,745)	–	(1,130,156)
Profit for the year	–	–	–	–	136,302	136,302
Dividend appropriation to non-controlling shareholders	145,108	–	–	–	(145,108)	–
New lease entered	–	–	–	938,236	–	938,236
Lease termination	–	–	–	(428,184)	–	(428,184)
At 31 December 2019	–	–	–	7,528,356	274,553	7,802,909
Financing cash flows	(114,315)	20,000	–	(1,049,064)	11,800	(1,131,579)
Profit for the year	–	–	–	–	131,689	131,689
Dividend appropriation to non-controlling shareholders	115,615	–	–	–	(115,615)	–
New lease entered	–	–	–	692,831	–	692,831
Lease modification	–	–	–	100,419	–	100,419
Lease termination	–	–	–	(168,776)	–	(168,776)
At 31 December 2020	**1,300**	**20,000**	**–**	**7,103,766**	**302,427**	**7,427,493**

49. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for over 1 to 20 years. On the lease commencement, the Group recognised RMB692,831,000 right-of-use assets and RMB692,831,000 lease liabilities (2019: RMB971,114,000 of right-of-use assets and RMB938,236,000 lease liabilities).

50. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into significant related party transactions during the year, the details of which are set out below:

(1) Related party transactions

	Notes	**Year ended 31/12/2020 RMB'000**	Year ended 31/12/2019 RMB'000
Sales to fellow subsidiaries	(a)	**628,058**	456,197
Sales to other related parties	(m)	**1,956**	–
Purchases from associates	(a)	**3,658**	4,855
Purchases from fellow subsidiaries	(a)	**318,624**	81,160
Purchases from other related parties	(b)	**1,687**	4,498
Rental income from fellow subsidiaries	(c)	**43,185**	41,586
Commission income earned from fellow subsidiaries	(d)	**–**	234
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	(e)	**5,184**	5,752
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	(e)	**8,350**	8,325
Service fee charged by other related parties	(n)	**19,035**	–
Property management fee charged by fellow subsidiaries	(f)	**14,311**	14,205
Expenses relating to short-term leases charged by fellow subsidiaries	(f)	**–**	1,023
Interest expenses on lease liabilities charged by fellow subsidiaries	(f)	**152**	4
Interest income earned from a fellow subsidiary	(g)	**22,822**	32,122
Platform usage fee charged by fellow subsidiaries	(h)	**27,358**	19,887
Platform usage fee charged by other related parties	(m)	**142**	–
Logistics material rental fee charged by fellow subsidiaries	(i)	**2,456**	2,350
Logistics distribution service fee charged by fellow subsidiaries	(j)	**12,150**	1,379
Logistics distribution fee charged by the other related parties	(k)	**5,149**	1,557
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	(l)	**22,179**	19,058
Transaction amounts transferred from a fellow subsidiary's settlement account into the Group's relevant account upon redemption of membership points by the customers	(l)	**13,985**	14,161

50. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

notes:

(a) This represents sales to and purchase from Bailian Group and purchase from fellow subsidiaries and associates in respect of various kinds of merchandise, including but not limited to food products, daily products and electrical appliances, which were determined in accordance with the terms of underlying agreement at the market price.

(b) This represents purchase from Hangzhou Alibaba International Trading Co., Ltd. ("Hangzhou Alibaba") in respect of various kinds of goods, including but not limited to foods, fresh produce and industrial products. Hangzhou Alibaba is a fellow subsidiary of Alibaba (China) Technology Co., Ltd. ("Alibaba China"), which is a substantial shareholder and therefore is a connected person of the Group.

(c) Certain areas of the Group's hypermarkets are leased to fellow subsidiaries which were charged in accordance with the terms of the underlying agreements at the market price.

(d) The commission income was earned from fellow subsidiaries controlled by Bailian Group in relation to the redemption of the coupons issued by the Group and a fellow subsidiaries controlled by Bailian Group in retail outlets of these related companies. The commissions were charged at a rate of 0.5% to 1% (2019: 0.5% to 1%) of the sales made through the coupons in the retail outlets of these companies.

(e) According to the business agreement on the settlement of coupon liabilities entered into between the Group and a fellow subsidiary controlled by Bailian Group, when the coupons issued by one party are redeemed in exchange for products or services to the retailers contracted by the other party or when the coupon liabilities are settled through the other party's network, a commission would be charged at a rate of 0.5% (2019: 0.5%) as agreed between the two parties, based on the gross transaction amount on a monthly basis. The gross transaction amount owed by each other and the related commission income/charge are settled on a net basis each month.

(f) These represent rental expenses and property management fee of certain hypermarkets charged by the fellow subsidiaries. Under HKFRS 16, except for lease contracts with short-term exemption, the lease expenses paid in the current period are divided into lease liabilities and related interest expenses, which were charged in accordance with the terms of the underlying agreements at the market price.

(g) According to the financial services agreement entered into between the Group and a fellow subsidiary controlled by Bailian Group, the fellow subsidiary will provide deposits service to the Company at a deposit rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.

50. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

notes: (Continued)

(h) This represents the platform usage fee charged by Bailian which is no more than 4% of the total transaction amount of goods sold through Bailian and/or its subsidiaries on behalf of the Group through their e-commerce platforms according to the terms of the underlying agreements.

(i) These logistics resources service fees of the Group was charged by Bailian Group and fellow subsidiaries controlled by Bailian Group. The fee was charged in accordance with the terms of the contracts at the market price.

(j) The distribution service fee of the Group was charged by Bailian Group and fellow subsidiaries controlled by Bailian Group. The fee included but was not limited to distribution, transfer and return services in Shanghai, as well as distribution and warehousing services outside Shanghai. Distribution service referred to the distribution of goods from Bailian Group to the Group in the stores, while warehousing service referred to the service of storing, sorting and discharging goods.

(k) The distribution service fee of the Group was paid to the fellow subsidiaries of Alibaba China. The fee was charged in accordance with the terms of the contracts at market price.

(l) These represent the transaction amounts transferred between Bailian Finance and the Group in respect of the membership bonus points earned/redeemed by the customers of Lianhua Group. Under the membership points agency and settlement service agreement between Bailian Finance and the Group, the Group will transfer the transaction amounts earned by the customers on consumption in Lianhua Group to Bailian Finance. Alternatively, Bailian Finance will transfer the transaction amounts on redemption of the membership bonus points by the customers to the Group.

(m) This represents sales to Lazas Technology (Shanghai) Co., Ltd., ("Lazas") in respect of various kinds of merchandise, and the platform usage fee charged by Lazas. Lazas is a fellow subsidiary of Alibaba China, which is a substantial shareholder and therefore is a connected person of the Group.

(n) This represents the service fees paid by the Group to Alipay.com Co.,Ltd ("Alipay") for using the equipment that supports the system of Alipay to identify the bar code or QR code on end customers' smart phones or other wireless equipment to complete the settlement process. Alipay is a fellow subsidiary of Alibaba China, which is a substantial shareholder and therefore is a connected person of the Group.

50. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party balances

The Group entered into a financial services agreement with a fellow subsidiary controlled by Bailian Group, pursuant to which the fellow subsidiary agreed to provide the Group the deposit services at a deposit rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits. The summary of cash and cash equivalents and unrestricted deposits placed to the fellow subsidiary is set out as below:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Cash and cash equivalents in a fellow subsidiary	**502,535**	566,757
Unrestricted term deposits in a fellow subsidiary	**350,000**	70,000

The summary of lease liabilities and lease receivables to/from related party is as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Lease liabilities	**–**	–

Note: during the year ended 31 December 2020, the Group entered into one new lease agreement for supermarket operating with the holding company for one year. Except for short-term lease and low value leases in which the Group applied recognition exemption, the Group has recognised an addition of right-of-use assets and lease liabilities of RMB201,000 and RMB201,000 respectively.

(3) Transactions/balances with other government related entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("Government Related Entities") including Bailian Group. Apart from the transactions with fellow subsidiaries disclosed above, the Group has also entered into various transactions, including sales, purchase, deposits placement, and bank borrowing with other Government Related Entities.

In view of the nature of the retail business operated by the Group, the directors of the Company are of the opinion that it is impracticable to identify the identities of the counterparties from the sales of merchandise as to whether they are Government Related Entities.

During both years, significant amount of the Group's purchase were from Government Related Entities and most of the Group's deposits and bank borrowing are placed with and advanced from banks which are also Government Related Entities.

50. RELATED PARTY TRANSACTIONS (Continued)

(4) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Salaries and other short-term employee benefits	**18,655**	18,687
Post-employment benefits	**491**	493
Other long-term benefits	**189**	205
	19,335	19,385

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at the end of the reporting period are set out below.

Name of entity	Date of establishment	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion voting power and ownership interest held by the Company Directly		Indirectly		Principle activities
				2020 %	2019 %	**2020 %**	2019 %	
Shanghai Century Lianhua supermarket Development Co., Ltd (上海世紀聯華超市發展有限公司)	24 November 1997	The PRC	500,000	**100.00**	100.00	**–**	–	Hypermarket
Hangzhou Lianhua Huashang Group Co., Ltd. (杭州聯華華商集團有限公司)	1 June 2001	The PRC	120,500	**74.19**	74.19	**–**	–	Hypermarket and supermarket
Lianhua Supermarket Jiangsu Co., Ltd. (聯華超市(江蘇)有限公司)	21 March 2003	The PRC	50,000	**100.00**	100.00	**–**	–	Hypermarket and supermarket
Guangxi Lianhua Supermarket Joint Stock Co., Ltd. (廣西聯華超市股份有限公司)	18 November 2001	The PRC	68,670	**95.00**	95.00	**–**	–	Hypermarket and supermarket
Shanghai Lianhua Supermarket Development Co., Ltd. (上海聯華超級市場發展有限公司)	8 April 2006	The PRC	10,000	**100.00**	100.00	**–**	–	Supermarket
Lianhua Quik Stores Co., Ltd. (上海聯華快客便利有限公司)	25 November 1997	The PRC	493,000	**100.00**	100.00	**–**	–	Convenience store
Shanghai Yanyu Trading Co., Ltd (上海岩鈺貿易有限公司)	29 October 1998	The PRC	5,000	**100.00**	100.00	**–**	–	Purchase and distribution
Lianhua Logistic Co., Ltd. (聯華物流有限公司)	17 October 2007	The PRC	50,000	**100.00**	100.00	**–**	–	Purchase and distribution
Lianhua E-business Co., Ltd. (聯華電子商務有限公司)	4 October 1995	The PRC	55,000	**100.00**	100.00	**–**	–	Trading
Hualian Supermarket Holdings Company Limited (華聯超市股份有限公司)	15 August 2006	The PRC	300,000	**99.40**	99.40	**0.60**	0.60	Supermarket

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Non-current assets		
Property, plant and equipment	167,121	184,038
Construction in progress	2,358	–
Right-of-use assets	–	24,459
Intangible assets	12,132	15,089
Investments in subsidiaries	1,706,220	1,506,220
Interests in associates	354,876	403,807
Financial assets at fair value through profit or loss ("FVTPL")	6,084	5,909
Term deposits	300,000	550,000
Deferred tax assets	204	117
Other non-current assets	1,976	2,100
	2,550,971	2,691,739
Current assets		
Inventories	774,168	652,310
Deposits, prepayments and other receivables	46,584	35,620
Amounts due from fellow subsidiaries	4,035	1,933
Amounts due from subsidiaries	5,724,049	5,734,108
Amounts due from associates	77	39
Financial assets at FVTPL	–	205,729
Term deposits	520,000	150,000
Cash and cash equivalents	1,033,030	723,932
	8,101,943	7,503,671
Total assets	10,652,914	10,195,410

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Information about the statement of financial position of the Company at the end of the reporting period includes: (Continued)

	31/12/2020 RMB'000	31/12/2019 RMB'000
Capital and reserves		
Share capital	**1,119,600**	1,119,600
Reserves	**5,386,506**	5,122,128
Total equity	**6,506,106**	6,241,728
Non-current liability		
Deferred tax liabilities	**1,193**	1,149
Current liabilities		
Trade payables	**1,700,769**	1,552,811
Other payables and accruals	**162,932**	135,442
Contract liabilities	**1,765,168**	1,791,010
Amounts due to Shanghai Bailian	**36,234**	–
Amounts due to fellow subsidiaries	**24,274**	23,566
Amounts due to subsidiaries	**445,288**	435,580
Amounts due to associates	**1,394**	1,262
Amounts due to other related parties	**2**	2,751
Tax payable	**9,554**	10,111
	4,145,615	3,952,533
Total liabilities	**4,146,808**	3,953,682
Total equity and liabilities	**10,652,914**	10,195,410
Net current assets	**3,956,328**	3,551,138
Total assets less current liabilities	**6,507,299**	6,242,877

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share capital RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory common reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019	1,119,600	258,353	3,595	559,800	3,999,499	5,940,847
Profit for the year	–	–	–	–	300,881	300,881
Total comprehensive income for the year	–	–	–	–	300,881	300,881
At 31 December 2019	1,119,600	258,353	3,595	559,800	4,300,380	6,241,728
Profit for the year	**–**	**–**	**–**	**–**	**264,378**	**264,378**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**264,378**	**264,378**
At 31 December 2020	**1,119,600**	**258,353**	**3,595**	**559,800**	**4,564,758**	**6,506,106**

The amount of the Company's retained profits available for distribution to shareholders as at 31 December 2020 amounted to approximately RMB4,564,758,000 (2019: RMB4,300,380,000).

Environmental, Social and Governance Report

Contents

About Report Preparation

The 2020 Environmental, Social and Governance Report of Lianhua Supermarket (hereinafter referred to as the "Report") is the fifth Environmental, Social and Governance (ESG) Report published by Lianhua Supermarket Holdings Co., Ltd. and states the principles adopted by Lianhua Supermarket Holdings Co., Ltd. in 2020 in fulfilling its social responsibility and the work performance, including topics about sustainable development of environment and society that attract attention of important stakeholders.

Basis for Compilation

The Report is compiled based on Environmental, Social and Governance Reporting Guide (2019 Edition) (hereinafter referred to as"the ESG Reporting Guide") issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as "SEHK").

Reporting Principles

The Report follows reporting principles of the Environmental, Social and Governance Reporting Guide of Stock Exchange, including:

- **Materiality Principle**
  Based on this principle, the Report determines the issues that need to be responded to through materiality analysis. It also focuses on issues that may have significant impacts on investors and other stakeholders in relation to environmental, social and governance issues.

- **Quantitative Principle**
  Based on this principle, the Report discloses key quantitative performance indicators, explains the meaning of indicators, and makes clear calculation basis and assumptions.

- **Balance Principle**
  Based on this principle, the Report reflects objective facts and discloses indicators involving both positive and negative information.

- **Consistency Principle**
  Based on this principle, the Report explains the meaning of disclosed ESG key quantitative performance indicators, and makes clear calculation basis and assumptions; meanwhile, indicators used in different reporting periods shall be kept as consistent as possible to reflect the trend of performance level.

Scope of Reporting

Scope of organization: The Report covers Lianhua Supermarket Holdings Co., Ltd. and its subsidiaries (collectively the "Group"), which conform to the entities covered in the consolidated financial statements in the Company's annual report.

Full Name of Companies	Abbreviation in the Report
Lianhua Supermarket Holdings Co., Ltd.	Lianhua Supermarket or the Company
Shanghai Century Lianhua Supermarket Development Co., Ltd.	Century Lianhua or Hypermarket Operation Centre
Shanghai Lianhua Supermarket Development Co., Ltd.	Lianhua Supermarket Development or Supermarket Operation Centre
Lianhua Logistics Co., Ltd.	Lianhua Logistics
Shanghai Lianhua Quik Convenience Stores Co., Ltd.	Lianhua Quik
Hangzhou Lianhua Huashang Group Co., Ltd.	Lianhua Huashang
Anhui Century Lianhua Development Co., Ltd.	Lianhua Anhui Company
Henan Century Lianhua Supermarket Co., Ltd.	Lianhua Henan Company
Lianhua Supermarket (Jiangsu) Co., Ltd.	Lianhua Jiangsu Company
Guangxi Lianhua Supermarket Joint Stock Co., Ltd.	Lianhua Guangxi Company
Lianhua E-business Co., Ltd.	Lianhua E-business

Range of Period

The Report is an annual report and covers the period from 1 January 2020 to 31 December 2020.

Explanation on Data

All data and cases are based on the original records or financial reports from the actual operation of the Company.

Reliability Assurance

The Board of the Company warrants that the Report does not contain any false information, misleading statement or material omission.

Based on the search results in credit data base of Shanghai Qingyue, there are no negative environmental information related to Lianhua Supermarket Holdings Co., Ltd. and its subsidiaries covered in the Report.

Performance Overview

Social Performance

Total employees **31,368**	Staff training coverage **93.50%**
Number of work-related fatalities **0**	Training hours per employee **19.14 hours**
The number of complaint received in relation to products and services **decreased by 475 cases** over 2019	
Community investment **increased by RMB119,500** over 2019	

Environmental Performance

Water consumption per unit business area decreased by **4.8%** over 2019

Honors

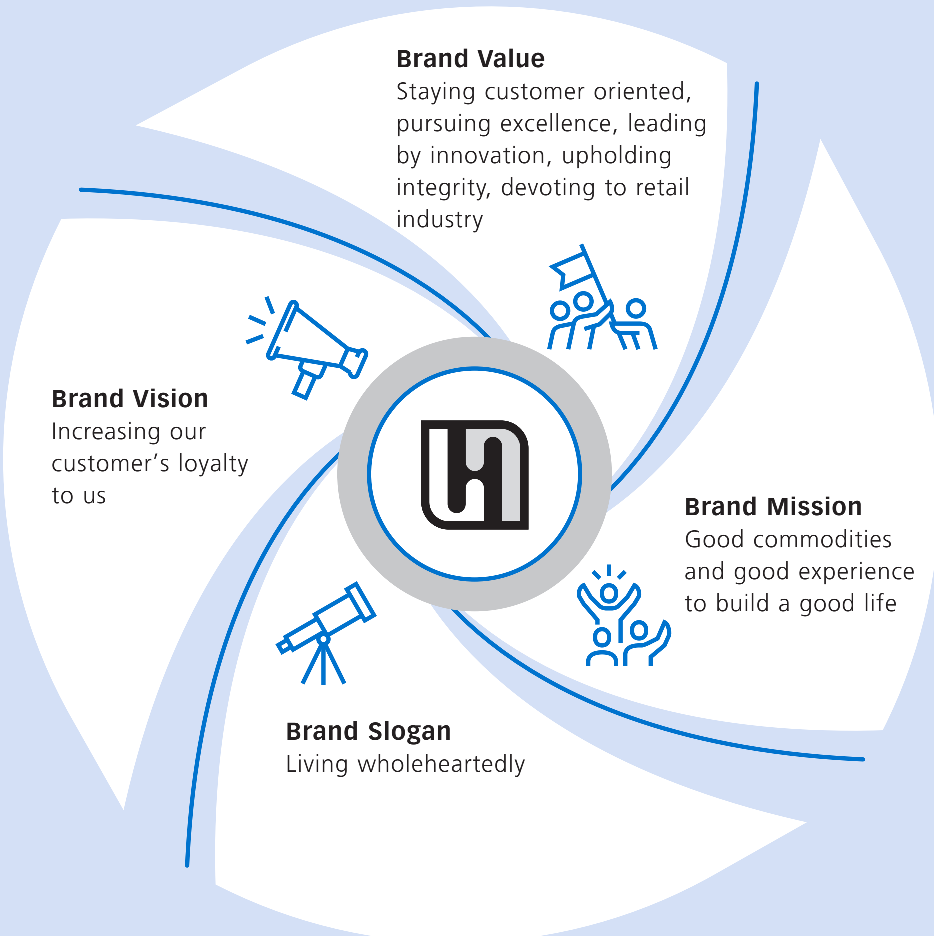
- The Company was honored "Qualified Unit of Public Security" issued by the Security Corps of Shanghai Municipal Public Security Bureau
- Lianhua Huashang was granted the "Enterprise with Outstanding Contribution to Guaranteeing Supply Market for COVID-19 Epidemic Prevention and Control of Zhejiang Province" by the Department of Commerce of Zhejiang Province
- Lianhua Huashang was granted the "Enterprise with Outstanding Contribution" of the Chain Industry of Zhejiang Province by Zhejiang Chain Management Association

1. Enterprise Social Responsibility Management

1.1 Concept of Social Responsibility

Corporate Culture

With the corporate vision of "increase our customer's loyalty to us" (讓消費者更喜愛我們), the Company sets the corporate mission of "good commodities and good experience to build a good life" (好商品、好體驗構建人情好生活), which reflects the Company's ESG concept as an operator running business concerned with people's livelihood: to help consumer realize high-quality lifestyle and to build better living environment through offering high-quality products and services.



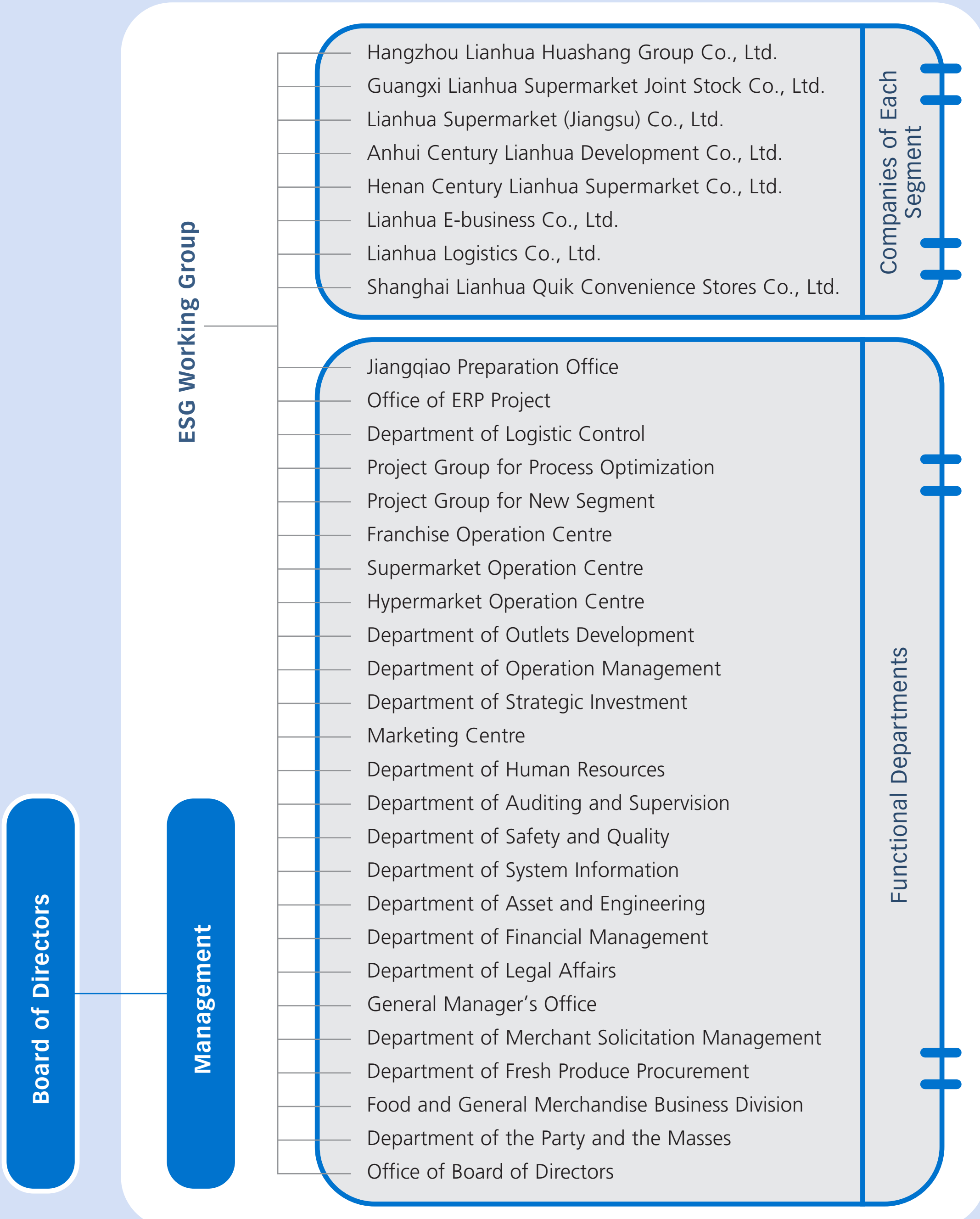
Contribution to the Global Sustainable Development Goals

In 2020, the Group put forward the ESG strategy with four concentrations, including products and services, staff development, green operation, and community and public welfare. Centered on the strategy, the Group continuously promoted and improved its social responsibility practices, and made contributions to global sustainable development goals.

Fields of ESG strategy	SDGs contributed
• Products and services: To make good products available in a more convenient way	8 DECENT WORK AND ECONOMIC GROWTH
• Staff development: To create decent work and dynamic workplaces	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH
• Green operation: To facilitate sustainable development for the future	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
• Community and public welfare: To build community convenience and emergency center	1 NO POVERTY; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES

1.2 ESG Management Structure

The Group has established a top-down ESG management mechanism, in which the Board of Directors is responsible for the overall ESG decision-making of the Group and has established an ESG working group with members of various departments and segment companies for management and coordination of ESG work to effectively promote the implementation and promotion of various specific ESG works.



1.3 Communication with Stakeholders and Material Issue Analysis

The Group values the wishes and appeals of stakeholders. Based on the Group's businesses and operation conditions and in view of peer experiences and practices both at home and abroad, the Group has identified the major stakeholders and their concerns and devoted to realizing its sustainable development by exploring diverse communication methods and responding actively to these wishes and appeals in daily management and business practices.

In 2020, based on its own business and operational characteristics and making reference to the ESG Reporting Guide of the SEHK and GRI Standards as well as national and industry policies and reviewing peer industry reports at home and abroad, the Group has identified 19 environmental, social and governance issues. After consulting with external experts, the Group ranks the importance of material issues based on the importance to stakeholders and the significance of economic, environmental and social impacts on Lianhua Supermarket, and regards issues of high impact on stakeholders when assessing and making decisions and issues of significant impact on the economy, environment and society as high materiality issues by making reference to material issues analysis methods of GRI.

Table of Major Stakeholders of Lianhua Supermarket and their Concerns

Major stakeholders	Stakeholders' concerns	Communication and response
Shareholders	• Compliant operations • Risk management • Economic performance • Anti-corruption	• Information disclosure of listed companies • Shareholder meeting • Investor meeting
Government and regulators	• Compliant operations • Anti-corruption • Green operation • Use of packages • Use of energy and climate changes	• Policy implementation • Information disclosure
Consumers	• Commodity quality assurance • Responsible marketing • Consumer relationship management • Protection of consumers' information and privacy	• Consumer consultation and complaint platform • Customer satisfaction survey
Suppliers	• Supply chain management	• Supplier review and evaluation • Supplier meeting • Communication and visits
Staff	• Staff benefits and welfare • Staff health and safety • Staff development and training • Talent attraction and retention	• Trade union and employee representative meetings • Staff activities • Staff training • Internal publications
General public and community	• Community and public welfare • Guarantee of people's livelihood • Green operation	• Social poverty alleviation activities • Community service activities
Industry organization	• Industry development	• Industry association activities

Matrix of Material Issues of Lianhua Supermarket

Issues identification

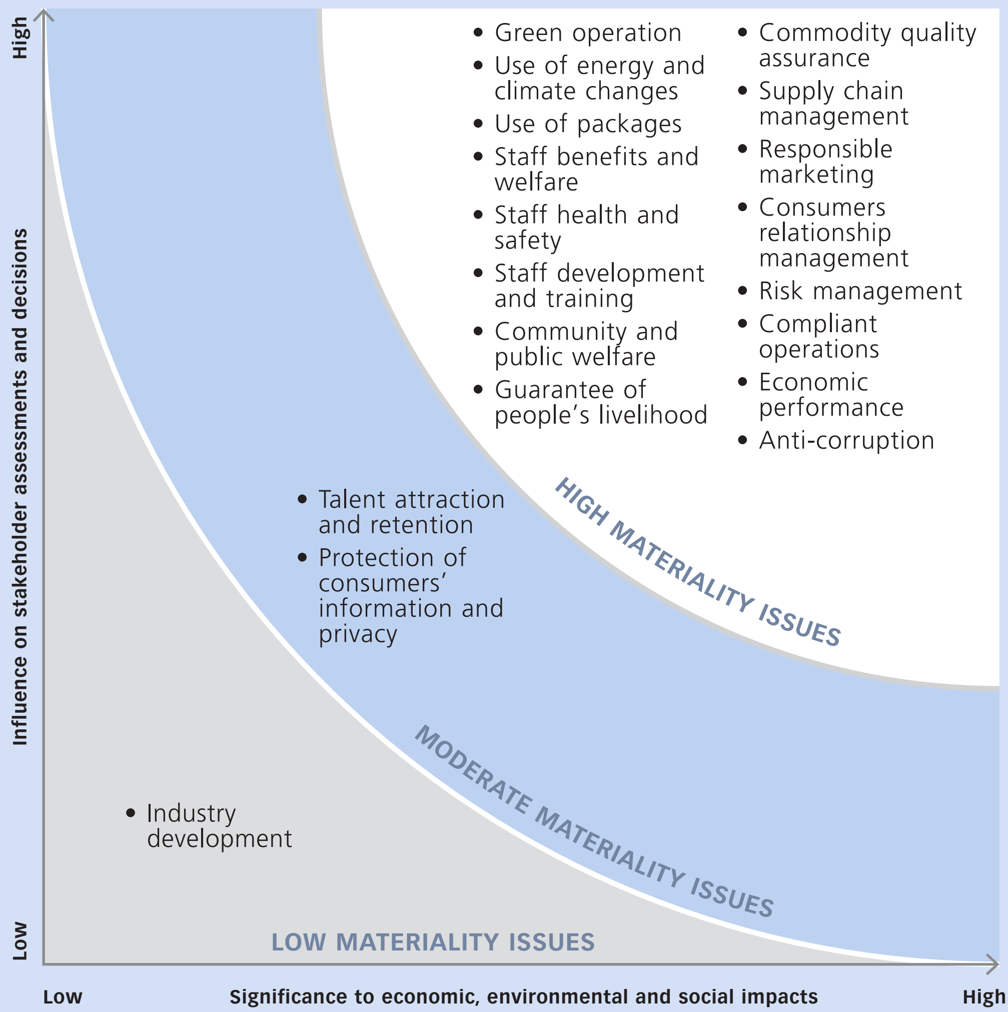
To identify environmental, social and governance issues based on the ESG Reporting Guide of the SEHK and GRI Standards.

Sequence

Ranking issues based on peer-reviewed research at home and abroad and practical operation conditions of the Company and selected 19 issues with respect to the Company's operations are screened by sequence.

Verification

High materiality issues are further screened on the basis of experts' opinion, and are addressed in the Report.



2. Consumers: Offering High-quality Products and Superior Experience

As an operator running business concerned with people's livelihood, to ensure the quality of goods and offer superior customer services are the most basic social responsibility of the Group. Relying on the advanced quality management system and comprehensive product quality control measures covering all categories, the Group provides consumers with assured and safe, rich and high-quality products, to build trust with consumers.

2.1 Whole Process Quality Control

Quality Management System

Following the quality principles of "safety first, prevention foremost, proactive, service empowerment", the Group has constructed the "Department of Safety and Quality –Shanghai Operation Centre –Stores" three-tier safety and quality management system, in which the Department of Safety and Quality is responsible for supervising the implementation of various safety systems and is directly responsible for reporting safety and quality work to the Board. Meanwhile, the Department of Safety and Quality procures operation centers, companies of each segment to sign letters of responsibilities on food safety. Shanghai Operation Centre has built the hypermarket visit system to regularly guide and inspect the safety work of each store; Stores, as the execution units of safety and quality management, strengthens safety and quality management through self-inspections of stores, etc.

In addition, the Group has established a three-level quick response management mechanism consisting of "headquarters, segment (companies), and stores" using WeChat, telephone, email and other tools, which facilitates the rapid communication of quality and safety information internally, and improves the efficiency of product quality management. When accidents occur, they can be addressed and solved as soon as possible, reducing the risks to consumers' health.

The Group's product quality management involves supplier review, product review, product acceptance, inspection of on-shelf products and unqualified goods disposal. In 2020, the Company streamlined and improved the Measures for Management of Product Certificates and Invoice of Lianhua Supermarket Holdings Co., Ltd. (《聯華超市股份有限公司商品索證索票管理辦法》) and the Measures for Management of Food Safety (《聯華超市股份有限公司食品安全管理辦法》), offering guidance for product management procedures, to ensure quality and safety of on-shelf products.

Product Quality Review Process

Process	Measures	Data results
Supplier Review	• Supplier qualification and credit review • Third-party professional institution's on-site inspection on the production of private-label products	• Completed qualification review of 100% of suppliers • 137 manufacturers of private-label products were reviewed and 133 passed the review
Product Review	• Product qualification review: certificate and invoice (certificate of qualification, etc.) • Physical verification: package review of samples, assessment of food quality, products weight, product lot conformity certificate	• 6,366 new products were reviewed, and 6,336 products passed the review
Product Acceptance Control	• Test Centre, and store conduct product quality acceptance control	• 136,702 products were tested
Inspection of On-shelf Products	• Strictly monitoring of product quality and safety through third-party inspections, spot checks, feedback and other means	• Inspection was conducted for Century Lianhua, directly-operated supermarkets, franchised supermarkets, Quik convenience stores and Hualian GMS in Shanghai by 1,061 times; • Spot check was conducted for 3,227 products with a pass rate of 99.57%

Supplier Management

As a retail enterprise, the Group sells products all provided by its suppliers. Therefore, supplier management is the first section of quality management. Suppliers of the Company mainly include those of private-label products and those of non-private-label products. The Group continuously strengthens the management of basic certificates and packaging label certificates for procurement to ensure that suppliers' licenses meet the requirements of relevant laws and regulations. For suppliers of private-label products, in 2020, the Group revised the Measures for Management of Review of Suppliers of Private-label Products of Lianhua Supermarket Holdings Co., Ltd. (《聯華超市股份有限公司自有品牌供應商審核管理辦法》) to regulate management, formulated the "Lianhua Quality" Commodity Audit Report & Label Approval Flow Sheet (《「聯華質造」商品審廠報告&標簽審批流轉單》) and "Lianhua Quality "Commodity Enterprise Declaration (《「聯華質造」商品企業聲明》), and conducted review according to high standards in the initial review, factory review, signing and receipt of goods, sales tracking, etc., to ensure product quality.

Licenses Examination-Suppliers shall submit the following valid licenses based on the types and categories of their products (food, cosmetics, disinfection products and disposable sanitary products, home appliances, other general merchandise, imported goods), including but not limited to:

Basic licenses: Business license, food business license or production license, trademark registration certificate, barcode certificate, single product inspection report, national industrial production permit, sanitary permit for cosmetics, organization code certificate, alcoholic products wholesale license, sanitary permit for disinfection products, and tax registration certificate

Packaging label certificates: health food approval document, green food certificate, organic food certificate, halal food certificate, HACCP certificate, ISO9001 certificate, ISO22000 certificate, genetic modification registration certificate, origin certificate, special cosmetics registration certificate, etc.

Review Process of Suppliers of Private-label Products

Initial Review	Factory Review	Signing and Receipt of Goods	Sales Tracking
• Review of licenses	• Review and evaluation by third-party professional organizations, including production environment, production process, quality management system, etc. • Second review for newly selected brands	• The third party conducts spot check on quality, clears the first batch of unqualified products, and terminates the cooperation • Check the factory inspection report	• At least 2 spot checks shall be conducted for private-label foods that have been on the market every year • Unannounced inspection of manufacturers

Meanwhile, the Group proactively carries out supplier communication activities. In 2020, the Group carried out supplier summits and research on the business cooperation relationship with suppliers, etc., and Lianhua Huashang launched the "Building an Ecological Value Chain of Full Chain Services" business conference, to strengthen communication with and understanding of suppliers and improve the cooperative relationship and quality of both parties.

Unqualified Goods Disposal

Unqualified goods identified by municipal quality and technical supervision bureau through voluntary check or spot check shall be prohibited from sale, removed from the shelves, and returned to the suppliers together with the requests for remediation. Remedied products can be returned to shelves after being approved by provincial or municipal quality and technical supervision bureau and the health bureau. The Department of Safety and Quality, the Procurement Department, the Department of Comprehensive Product Management, Lianhua Logistics, operation centers/stores of the Group are jointly responsible for the disposal of unqualified products.

Department of Safety and Quality	Procurement Department	Department of Comprehensive Product Management	Lianhua Logistics Company	Operation centers/ stores
Collect information about unqualified products, prepare and issue removal notices, track the whole course of disposal and the remediation	Notify suppliers and urge suppliers to take rectification measures	Change the authority of unqualified products in the Company's product system	Transfer unqualified products to another warehouse for further disposal	Take unqualified products off the shelve

2.2 Food Safety Assurance

Food Safety Management

Food safety has become the focus of the public, and the Group always takes food safety as the key aspect of quality management. It has established the food safety network composed of the "Department of Safety and Quality-Shanghai Operation Center, Quik Convenience, GMS and other member companies in other regions", and adopted a top-down approach to promote government's requirements and the Company's activities related to food safety and, at the same time, a bottom-up approach to regularly promote the information communication related to food safety, so as to advance the food safety management.

The Group has formulated acceptance standards in terms of certificates, transportation, and quality for different categories of fresh products such as cooked food, aquatic products, vegetables, fruits, bread, meat and poultry products, and frozen and refrigerated products. In addition, the Group is committed to the supply chain model of direct procurement from the base, continuously improves the processes and systems of planting, harvesting, processing, transportation, and acceptance at the base, and comprehensively assesses the direct procurement base in terms of production area, climate, soil, and production mode, to ensure the quality of fresh ingredients. The Group also has a self-management vegetable base, which provides 6.6% of the vegetable supply. The Group always regards the monitoring of vegetable pesticide residue indicators as the core work of its self-management base, has established a pesticide residue testing system, and controls pesticide residues within the scope of standards through sampling testing and other methods. In 2020, the testing center of the Group carried out 18,043 tests for organophosphorus pesticide residues in fruits, 31,528 tests for organophosphorus pesticide residues in vegetables, 32 tests for pyrethroid and acetamiprid pesticide residues, 96 rapid tests for immune colloidal gold, and 5,136 tests for pork clenbuterol. The logistics warehouse of Lianhua Anhui Company has built a new pesticide residue test room to conduct random inspections of vegetables and fruits in the warehouse at least three times a week. In addition, the Group commissioned a third party to conduct on-site audits for 15 high-risk food production suppliers according to the Shanghai Food Safety Management Regulations.

Meanwhile, in 2020, the Group strengthened food safety management, enhanced food safety awareness, and ensured food quality and safety by carrying out food safety information management and food safety training.

Information Management

- Construction of a food safety information traceability and license management platform; in 2020, the Group completed the generation and publicity of the QR code traceability code for health food;
- Lianhua Guangxi Company's "Special Barcode Print Form" module can intercept the sale of expired goods and reduce the risk of selling expired goods.

Food Safety Training

- Bailian i Learning APP is used to provide online micro-course training of Lianhua Safety Month and training courses on different food safety topics are launched on a monthly basis. In 2020, the Group provided 15 online and offline food safety trainings, covering 57,488 person times.

In addition, in terms of food recall, the Group conducts food recall exercises in accordance with the Measures for Food Recall Management of Lianhua Supermarket Holdings Co., Ltd. (《聯華超市股份有限公司食品召回管理辦法》) to improve the suitability and integrity of the recall system.

Cold Chain Commodity Safety Management

During the COVID-19 epidemic, the safety of cold chain products attracted much attention. The Group implemented the epidemic prevention and control strategies of "Prevention in terms of People and Materials", "External Prevention of Spread, Internal Prevention of Rebound", and formulated the Imported Cold Chain Food Purchase Process of Lianhua Supermarket Holdings Co., Ltd.(《聯華超市股份有限公司進口冷鏈食品採購進貨流程》) and the Epidemic Prevention and Control Work flow for Fresh Cold Chain of Lianhua Supermarket Holdings Co., Ltd. (《聯華超市股份有限公司生鮮冷鏈疫情防控工作流程》), to ensure the safety of fresh cold chain products from procurement, transportation, and entry into stores, and to prevent the risk of COVID-19 contamination in terms of frozen and refrigerated food and cold chain production logistics.

For cold chain commodity suppliers and cold chain commodity workers, the Group carried out the Interpretation on COVID-19 Prevention and Control and Disinfection Requirements in the Production and Operation Process of Cold Chain Food (《冷鏈食品生產經營過程新冠病毒防控及消毒要求解讀》) and the Training on the Standard Operation Process of Acceptance of Imported Cold Chain Food (《進口冷鏈食品收貨規範操作流程的培訓》) to enhance the COVID-19 prevention awareness. In addition, Lianhua Huashang has accessed to the "Zhejiang Cold Chain" traceability system to upload the information of imported frozen livestock and poultry meat and aquatic products to realize the traceability of the entire chain of imported cold chain food.

Procurement

- Unified delivery to Pudong "Transit Inspection Warehouse"
- Presentation of four certificates (negative nucleic acid test report, ex-warehouse certificate, disinfection certificate, ex-warehouse and warehousing voucher)

Transportation

- Set up a special unloading area for imported cold chain goods, and examine four certificates in the pre-inspection area
- Regular disinfection of warehouse
- Nucleic acid test for relevant operation personnel once a month

Entry into stores

- Examine four certificates
- Upload traceability information

2.3 Customer Service and Communication

Safe Shopping Environment

The Group manages the safety production of stores under the three-level safety quality management system composed of "Headquarters-Shanghai Operation Centre – Segment Stores", and implements the safety production responsibility system by signing the Responsibility Statement on Safety Production Work and the Letter of Commitment on Safety Production. In 2020, the Group improved the safety management level, enhanced safety awareness and safety risk prevention, and ensured the safety of stores by carrying out safety production standardization, safety drills and training, safety inspection and rectification, etc.

During the epidemic, the Group formulated the Guiding Manual for the Prevention of COVID-19 of Supermarkets (《標超預防新型冠狀病毒指導手冊》) and the Key Measures for Normalization of Epidemic Prevention and Control in Winter of Century Lianhua (《世紀聯華冬季疫情常態化防控重點措施》) to guide the safe management of epidemic prevention and control in stores to provide consumers with shopping safety guarantee.

Safety standardization	Safety drills and training	Safety inspection and rectification
• A total of 40 stores of Century Lianhua and GMS participated in the reassessment of safety standard construction and all passed the reassessment	• Carried out fire and emergency drills • Comprehensively carried out publicity, education and training on safety regulations, knowledge, and skills through centralized training, micro-course training, on-site practical operations, etc. • Conducted monthly safety production talks, and a total of 37,812 person times attended online and offline trainings and tests	• a total of 828 daily inspections and special inspections were conducted for stores, and a total of 1,289 potential safety hazards were rectified • a third party was commissioned to conduct comprehensive safety inspections and make rectifications

Promotion of fire prevention and control for stores to ensure fire safety

In 2020, the Group continuously carried out special activities for the comprehensive management of electrical fires, and strictly implemented fire safety work at the segment companies and stores.

The Group required stores to improve the fire safety system and work record accounts and strengthened the control of key aspects of fire protection. During the safety production month event, the Group organized training on the New Fire Protection Law, conducted fire emergency drills, and organized firefighting skills competitions, etc., to improve store employees' fire prevention awareness and emergency rescue capabilities of all staff, laying a solid foundation for safety.

"Smart Power Utilization" Innovative Safety Management of Lianhua Huashang

In 2020, Lianhua Huashang carried out the installation and promotion of smart power utilization in certain stores, and installed smart power utilization equipment at the end distribution boxes of key risk areas, to monitor the temperature, current, residual current and other key data of electrical use in stores in real time, and give timely warnings to remind store management personnel to conduct investigations to effectively prevent electrical fire accidents.

Friendly Shopping Experience

As an enterprise in the retail industry, the Group regards the provision of high-quality consumer services as an important part of fulfilling its social responsibilities. Focusing on "increase our customer's loyalty to us" (讓消費者更喜愛我們), the Group has developed operating standard models and built service model stores, formulated a series of standards including the Customer Service Manual and Service Improvement Plan, and carried out extensive customer service trainings to improve operation services quality of stores and to create a friendly shopping environment for consumers. Meanwhile, the Group's 32 stores in Shanghai have all set up "convenience services" to provide presbyopia glasses and magnifying glasses for free to facilitate elderly customers to shop in the stores.

In addition, the Group proactively promoted digitalized supermarkets, and launched a digital store management system. More than 70 self-service cash registers have been installed in the stores of Century Lianhua to complete the integration of online and offline marketing to optimize consumers' in-store experience. As of 2020, the Group had a total of 58 digital stores. At the same time, the Group proactively developed delivery to home business, realizing online shopping and delivering to home within one hour, facilitating consumers to shop during the epidemic.

Consumer Communication and Education

The Group continuously develops consumer communication channels, and strengthens communication and exchange with consumers through a series of consumer interaction activities such as seminars, festival activities, hand-made workshops, and charity activities.

Improvement of service contents	Development of communication channels	Carrying out interactive activities
• Return of goods without reason within seven days	• Lianhua Supermarket Development have set store contact numbers, store manager hotline, group purchase hotline and Bailian delivery to home customer service hotline • Century Lianhua have established a "community store group" and held customer round table meetings • Online consumer communication was expanded through online platforms such as Dianping	• 3.15 "Gathering Your Strength" Consumer Rights Protection Themed Activity • Lianhua Supermarket Development carried out activities on the Mother's Day, Children's Day, Dragon Boat Festival, Halloween and other family activities • Carried out food conservation advocacy activities • Lianhua Jiangsu Company provided the Thanksgiving Platform of "Blessing for Family and Passing Gratitude"

Regarding consumer complaints, the Group responds to the complainant within 48 hours, and checks customer complaint information through the "12315 Consumer Complaint System", which summarizes such information and reports the same to all segments and member companies by category.

Category of complaint		Treatment
Complaint about the headquarters	General complaints	The Department of Safety and Quality records the complaint and directly transfers the matter to the relevant operation center/segment/member company and the relevant department
	Complaints about product quality and food safety	The Department of Safety and Quality negotiates with suppliers and works with the Procurement Department to develop the solution
Complaint about stores		The relevant store is responsible for complaint response in accordance with the Procedures of Consumer Complaint Management

Protection of Information and Privacy of Customers and Consumers

The Group attaches great importance to consumer privacy and personal information protection. It collects, uses, and saves consumer information through the Privacy Policy and articles of association, uses encryption technologies such as transport layer security protocol to ensure the security of user data transmission, applies strict data access control and multi-identity authentication technology to protect personal information and avoid data from being used in violation of regulations, and adopts automatic code security checks and data access log analysis technologies to audit personal information security.

In the meantime, during the development of the delivery to home business, the Group adopts the unique "smile face-to-face" in the delivery of orders to avoid exposure of user sensitive data in the delivery process.

In addition, the Group has strengthened employees' awareness of personal information protection through security and privacy protection training, and intensified data security training for logistics employees of the delivery to home business, so as to raise the awareness of logistics employees to protect user privacy data.

2.4 Building Operation Basis in Compliance with Laws

To guarantee the sustainable operation, the Group stands firmly to the basis of compliant operation. The Company's anti-corruption management was enhanced through the Accountability Mechanism of Clean and Honest Party Construction and Responsibility of Discipline Supervision of Lianhua Supermarket Holdings, Co., Ltd.(《聯華股份落實黨風廉政建設責任制紀委監督責任清單》) and the Regulations on Management's Performance Wage and Business Expenses by Lianhua Supermarket Holdings, Co., Ltd.(《聯華股份關於規範各級領導人員履職待遇與業務支出的管理辦法》).The Group signed the Responsibility Agreement on Clean and Honest Party Construction (《黨風廉政責任書》), the Letter of Commitment of Party Members (《黨員崗位承諾書》) with Party members, and the Letter of Undertaking on Clean and Honest Practices (《廉潔從業承諾書》) with personnel of key positions including procurement and operation to improve employees' anti-corruption awareness. In 2020, the Group held a meeting on strict Party governance, to strengthen high-pressure red line education, implement system learning, and build an anti-corruption culture.

The Group stresses feedback and whistle-blowing through various channels, provides clear whistle-blowing channels such as emails, telephones, and mailboxes, encourages employees to report suspicious internal corruption violations, and strives to protect the safety of informers and security of reported information. It checks the reflected problems and clues one by one, and deals with them in accordance with the relevant provisions of the Disciplinary Regulations of the Chinese Communist Party. At the same time, the Group strives to protect the safety of informers and security of reported information, and strictly keeps the informer's name, contact information, and reported matters confidential.

Besides, the Group pays attention to suppliers' bribery activities through China Judgements Online, and adds binding clauses in all sales agreements stipulating that suppliers who are found to have records of bribery shall be listed on the "banned list", disqualified for bidding, prohibited from taking engineering business and disqualified as suppliers of the Company. In 2020, 489 suppliers passed the inquiry of the Group without any negative records.

3 Staff: Decent Work and Dynamic Workplaces

Staff is an important business driver and an important factor in creating good customer experience. The Group proactively protects the basic rights and interests of staff, builds a healthy and safe working environment, carries out a variety of employee activities, and has established a comprehensive training system to promote the common growth of staff and the Company.

3.1 Protection of Rights and Benefits of Staff

Staff Employment

As a labor-intensive enterprise, the Group respects the rights of all staff and has formulated a sound management system in terms of recruitment and dismissal, working hours and vacation, salary and welfare, etc., to create fair employment conditions for staff. In addition, the Group complies with relevant laws and regulations on prohibiting child and forced labor and prohibits the recruitment of persons under the age of 16. The Group signs employment contracts with employees according to the relevant laws and regulations, and pays social insurance and the housing provident fund for its employees. In 2020, the Group signed employment contracts with all the employees and paid social insurance for all of them, and employed 93 disabled staff.

Overview of Staff Employment and Rights and Interests System of Lianhua Supermarket

Employment, Dismissal and Promotion	Working Hours and Vacation	Salary and Welfare
• **Employment principles:** openness, equality, competitiveness, versatility, suitability and abstention • **Dismissal:** terminating labor contracts through negotiation under the principle of "compliance with laws and regulations, and fairness and reasonability" • **Promotion Process:** announcement of information, resume submission, interview, recruitment, keeping confidential of information, evaluation for key internal employment, announcement and publication of results • **Promotion channels:** recommendation by seniors, appointment and removal by party committee's discussion and inspection and competition for posts, promotion of staff with outstanding performance through an annual evaluation and spontaneous promotion proposal by seniors	• **Working hours:** the staff following standard working hours shall work no more than 40 hours per week; staff following comprehensive working hours shall work for no more than standard working hours per month or quarter • **Overtime:** 3 times of salary shall be paid to those who work on statutory festivals and holidays; those who work overtime on ordinary days shall have priority in taking leaves, otherwise, 1.5 to 2 times of salary shall be paid • **Vacations:** annual leave with pay, marital leave, bereavement leave, parental leave and sick leave shall follow national regulations. Staff who have made blood donation voluntarily shall be given 10-day leave with pay (including weekend)	• **Salary:** salary shall be adjusted based on the minimum salary and guideline of salary increase of various localities • **Incentive:** CNY (Chinese New Year) assessment incentive program, Mid-Autumn Day and National Day incentive program, store partnership incentive program • **Medical health:** medical expense reimbursement system with mutual funds for outpatient and emergency treatment, mutual assistance insurance for employees, annual physical examination • **Welfare and allowance:** mutual aid insurance for trade union employees, subsidy for meals, transportation, working in high temperature and the birthday gift

Staff Communication and Care

The Group listens to the opinions of staff through the staff representative congress. In 2020, at the staff representative congress, the Group organized staff to discuss the 2019 administrative work report and consider the "Explanation on Staff's Payment of Social Insurance and Housing Provident Fund". In addition, the Group has established diversified democratic staff communication platforms such as exchange meetings and face-to-face communication for young staff and management trainees to strengthen communication between staff and the Group and establish a harmonious workplace atmosphere.

The Company delivers solicitude to frontline employees in a comprehensive manner and has formulated a medical expenses reimbursement and welfare policy for employees. The Company signs Special Contract for Female Employee (《女職工專項合同》) with female employees to protect their rights, actively organizes interaction activities for female employees, and offers gifts and half-day holiday to female employees on Women's Day to show cares for female employees. The Group intensifies employees with difficulties of varying degrees through the tiered assistance system of the trade union to promote the targeted assistance to employees with difficulties.

In addition, the Group has established hobby clubs and organized various cultural, sports and entertainment activities to enrich the spare-time life of employees, and advocates for employees to maintain a good balance between work and life, to enhance their sense of happiness at work.

Promoting work-life balance through" Happy Work and Healthy Life" activity

In 2020, Lianhua Logistics held the "Happy Work and Healthy Life" culinary competition which promoted interaction among employees, created a happy working atmosphere, and promoted the concept of healthy life.

3.2 Protection of the Health and Safety of Staff

The physical and mental health of employees has always been the most concerned issue of the Group. The Group provides employees with health inspections through the formulation of the Measures for Management of Employees' Occupational Health, the Measures for Management of Labor Protection of Female Employees, and the Employees' Protective Equipment Management System, conducts inspections on potential safety hazards in the office environment, and organizes safety production education and training activities for employees to create a healthy and safe workplace.

In addition, with the establishment of segment company, Lianhua Logistic in Shanghai region, the Group pays great attention to the safety management of logistic staffs and warehousing. It offers one or two trainings every month to logistics drivers in respect of safety and accident analysis, invites specialists from transport agencies to provide logistics drivers with one or two safety trainings every year, shares the information of vehicles that have violated relevant regulations, eliminates any dangerous driving behaviors such as drunk driving and speeding, so that logistics drivers' safety awareness will be improved and traffic accidents will be prevented and minimized.

The fire safety of warehousing is also the focus of Lianhua Logistics. Lianhua Logistics has strengthened warehousing safety management through establishment of a risk management and control mechanism, formulation of a comprehensive safety emergency plan, improvement of the safety standardization system documents and safety operation procedures, establishment of one file for each set of special equipment, and regularly organizes fire drills for warehouses to lay a solid foundation for elimination of potential safety hazards.

Moreover, during the epidemic, the Group regulated the safety management of fresh food operators and cold chain logistics personnel according to the Operational Procedures for Acceptance of Imported Cold Chain Food of Lianhua Logistics (《聯華物流進口冷鏈食品收貨規範的操作流程》) and the Operational Procedures for Acceptance of Imported Cold Chain Food of Stores (《門店進口冷鏈食品收貨規範的操作流程》). The labor union of the Group proactively purchases anti-epidemic supplies such as masks, disinfectant water, and goggles for the health protection of employees to guarantee the health and safety of employees.

3.3 Empowerment of Staff's Career Path

Staff Training

The Group is committed to providing staff with support for all-round development, and respecting and supporting staff's continuous growth. It formulates training plans every year, designs training programs for middle and senior management personnel, store employees, store partners, new employees, interns, and internal lecturers, to cultivate the professional skills and management capabilities of employees, and sets up large lecture hall activities, to empower employees' future development, covering 20,575 person-times. In 2020, the "Supermarket Operation Skills Improvement Training" project developed by the Group received government grants in a total amount of RMB466,300.

Trainees	Training Program
Middle and senior management personnel	• Annual training plan for middle and senior management personnel • Eagle Success Program
Store employees	• Eagle Talent Program (reserve)
Store partners	• Warhawk Empowerment Program
New employees	• Eagle Growth Program • New Staffs "Rainbow" Program – New employee orientation
Interns	• Hatching Program
Internal lecturers	• Guide Star Program

Type of training	Training Program
Professional technologies	• New Retail Program • Safety Guard-Food Safety, Production Safety Training Program
Management capacities	• Brand Training Camp • Red (Patriotic) Education

Meanwhile, technological changes have brought more competitive impacts on today's business operations. On one hand, the Group proactively used the "Bailian i Learning" online platform to conduct 65 training sessions. On the other hand, the Group carried out skills training related to live streaming sales and short video marketing to empower employees with new knowledge and new capabilities, enhance their competitiveness, facilitate digital transformation, and meet consumer needs.

Live Streaming and Short Video Sales Business Training

In 2020, the Group accelerated the pace of digital transformation. With the expansion of online businesses such as Bailian delivery to home business and live streaming sales business, the Group carried out training on live streaming and short video marketing to improve store sales capabilities.

- "Live streaming promotion and sales" training: provides trainings on basic principles, chat room management, live streamer skills, and operation of live streaming, standardizes live streaming operations, improves live streaming quality, and provides high-capability live streamers for live streaming business.

- "Short video creativity and production" training: covers practical short video shooting skills, short video brain storming for business, short video editing, and improves short video marketing capabilities.

Staff Career Development

The Group opposes to racial, gender and ethnic discrimination and is committed to providing employees with equal development opportunities, giving full play to their personal expertise, skills and abilities, and achieving mutual benefit and common development with employees. The Group continues to improve the remuneration and benefits structure and assessment and incentive methods and has constructed the "core management –headquarters –frontline staffs" common incentive system.

Staff Incentive Mechanism

Incentive Model	Incentive
Core Position Performance Target Contract (核心崗位業績目標契約化)	• For key positions of core management personnel in operation and procurement department, promote performance target contract and offer corresponding bonus.
Overall Sharing and Incentive Model (全員分享激勵模式)	• For the whole staffs, improve the sharing based on excessive performance and incremental revenue.
Frontline Employee Incentive (一線員工激勵)	• Store partnership, incentives for frontline staffs' holiday marketing efforts and rewards for 100-day productivity competition

The Group continuously optimizes the job sequence and development channels, promotes the management trainee program to cultivate reserve teams, and strengthens talent training through the supermarket partner program as well as temporary position, job rotation, innovative project incubation, etc., to effectively stimulate the potential of employees. In 2020, the Group completed the incentive plan for 156 supermarket partner stores of Lianhua Supermarket Development.

4 Environment: Green Operation Contributes to a Sustainable Future

The Group upholds the concept of green development, implements green management practices throughout the enterprise, and is committed to reducing energy and natural resource consumption, reducing waste, and using environmentally friendly products and services as much as possible. Furthermore, the Group encourages consumers to take environmental protection actions through consumer advocacy activities to improve environmental performance.

4.1 Green Development Management

The Group's impact on environment is mainly due to the store and office operations and logistics and warehousing. The Group mainly focuses on energy and water conservation and reducing greenhouse gas emissions and use of consumables.

Environmental Impact Analysis

The Group fully considers the resources and energy consumption (including electricity, water, natural gas, gasoline, diesel, packaging materials, etc.) and the overall environmental impacts (greenhouse gas emissions, waste generation, etc.) of the stores, office operations and each module of logistics and warehousing process, which are the main impact of the Group on the environment and natural resources. As a retail company, other aspects have little impact on the environment and natural resources.

In addition, when selecting suppliers, the Group prefers those having obtained certificates with respect to technological innovation, energy saving and environmental protection.

SUPPLIER SELECTION

Preferring those having obtained certificates with respect to technological innovation, energy saving and environmental protection

INPUT

Key performance indicators	2020
Total water consumption (in terms of stores) (m^3)	2,834,597.16
Total consumption of power (in terms of stores) (MWh)	408,387.41
Total water consumption (in terms of office operations) (m^3)	113,567.05
Total consumption of power (in terms of office operations) (MWh)	11,464.49
Total water consumption (in terms of warehousing) (m^3)	210,937.40
Total consumption of power (in terms of warehousing) (MWh)	19,670.67
Total water consumption (others)[1] (m^3)	66,196.60
Total power consumption (others)[2] (MWh)	3,674
Water consumption per unit business area (m^3/m^2)	1.80
Power consumption per unit business area (kwh/m^2)	247.22
Total gas consumption (m^3)	136,194.08
Total quantity of purchased packages (ton)	2,229.26

Consider the resources consumption and environment impacts of the **stores, office operations, logistics and warehousing** process

Stores

Office Operations

Logistics and Warehousing

OUTPUT

Key performance indicators	2020
Greenhouse gas (in terms of stores) (ton CO_2e)	339,798.30
Greenhouse gas (in terms of office operations) (ton CO_2e)	7,998.38
Greenhouse gas (in terms of warehousing) (ton CO_2e)	16,361.39
GHG emissions per unit business area ($kgCO_2e/m^2$)	203
Hazardous wastes output per unit business area (kg/m^2)	0.01
Non-hazardous wastes output per unit business area (kg/m^2)	8.32

Notes:

1. Total water consumption (others) refers to water consumption for investment attraction.
2. Total consumption of power (others) refers to electricity consumption for investment attraction.

Green Management Systems

Green stores: Operation Requirements for Energy Saving and Consumption Reduction, Operation Standards Manual

Green logistics and warehousing: Energy Conservation and Emission Reduction Implementation Plan

Green Management Process

01 Prepare environmental policies and guides

02 Set environmental protection goals and reduce annual energy consumption budget of stores

03 Record environmental data of daily operations of stores, warehousing, logistics, etc.

04 Implement environmental measures and review their effectiveness

05 Regular summarization, monitoring of environmental performance and calculation of annual energy consumption

4.2 Response to Climate Changes

Global climate change not only causes various extreme weather, but also seriously affects various economic and social activities. In September 2020, President Xi Jin-ping delivered an important speech at the general debate of the 75th United Nations General Assembly, pointing out that China will increase its nationally determined contributions, striving to achieve the peak carbon dioxide emissions by 2030 and carbon neutrality by 2060.

The Group proactively responds to the concerns of the government, investors and other stakeholders in addressing climate change, identifies risks and opportunities related to climate changes with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board, and continuously improves management based on the results to minimize the carbon footprint generated by operating activities.

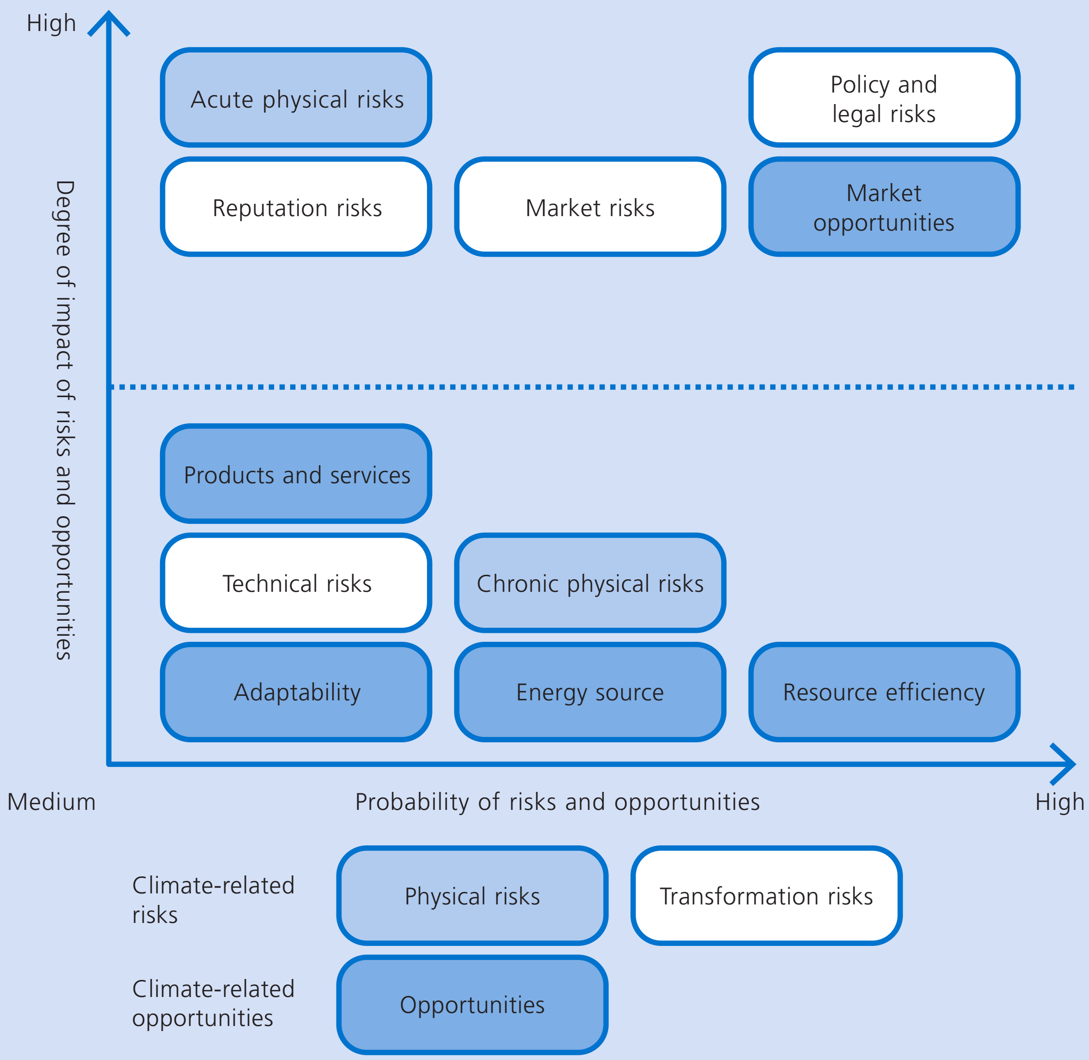
Risks and Opportunities Related to Climate Changes

In order to better respond to the potential risks and opportunities related to climate changes, the Group identifies climate change-related risks and opportunities related to its own operations through policy research and benchmarking with peers based on expert opinions, and evaluates the impact of the risks and opportunities on its own finance.

Approach for Analysis of Climate-related Risks and Opportunities

Identification	6 climate-related risks and 5 climate-related opportunities were identified according to the unified climate change-related information disclosure framework developed by TCFD.
Assessment	Assessment was conducted on climate-related risks and opportunities based on the Company's business and strategy as well as expert opinions.
Analysis	Construction of a climate-related risk and opportunity matrix based on the assessment results, and identification of the materiality of the risks and opportunities based on the probability and degree of impact of risks and opportunities.

Matrix of Climate-related Risks and Opportunities



Analysis of the Financial Impact of Climate-related Risks

Identification results of main climate change-related risks and opportunities				Potential financial impact	Countermeasures
Risk	High	Regulation and legal risks	The Company and its product suppliers may face risks of being held accountable, being taken regulatory measures, being given disciplinary sanctions, property loss or loss of business reputation due to non-compliance with climate-related policies or laws, or the risk of rising operating costs due to the opening of the carbon market and the rising clean energy pricing.	Operating income↓ Operating costs↑ Credit risk↑	• Establishment of a relatively complete emergency management plan to ensure the normal operation of stores in the event of extreme weather or natural disasters. • In store operations, the energy utilization cost is taken as an important assessment indicator. • Reduction of the use of high energy-consuming equipment.
		Market risks	The introduction of relevant policies such as carbon neutrality has given rise to the market demand for climate-friendly products or services and thus the businesses of the Company and its suppliers will face market risks.	Operating income↓ Credit risk↑	
		Acute physical risk	Severe climate changes such as typhoons and floods will cause extreme weather or natural disasters, which may affect the normal operation of the Company's stores, thereby affecting the Company's business.	Operating income↓ Operating costs↑ Value of fixed assets↓	

Identification results of main climate change-related risks and opportunities				Potential financial impact	Countermeasures
Risk (Continued)	High (Continued)	Chronic physical risks	Long-term natural pattern changes such as sea level rise and sustained high temperatures may affect the Company's normal operations.	Operating costs↑ Value of fixed assets↓	
		Reputation risks	As the public is paying more and more attention to green operations, the Company's failure to meet the expectations of stakeholders may bring reputational risks to the Company's operations.	Operating income↓ Operating costs↑	
	Low	Technical risks	In the process of low-carbon technology transformation, the development and application of energy-saving and environment-friendly technologies such as renewable energy and new energy may have a certain impact on the Company's operations and businesses.	Value of fixed assets↓ Cost of investment in research and development↑	
Opportunities	High	Market opportunities	The introduction of relevant policies on carbon neutrality and climate change has a guiding effect on the green product market, and focusing on the business of developing climate-friendly products is conducive to opening up new growth space for the Company.	Operating income↑ Credit risk↓	• The offices use LED energy-saving lamps. • The stores use low energy-consumption refrigerators, etc.

Identification results of main climate change-related risks and opportunities				Potential financial impact	Countermeasures
Opportunities (Continued)	Medium	Resource efficiency	Energy conservation and emission reduction are promoted by improving resource and energy use efficiency and will help reduce operating costs.	Operating costs↓	
		Energy source	The use of clean energy and low-carbon energy to replace traditional high-carbon energy will help reduce the Company's energy expenditure in the future.	Operating costs↓	
	Low	Adaptability	Business research and industry exchanges related to climate changes will help improve the Company's ability to respond to climate risks and seize climate opportunities, and enhance the brand image of fulfilling social responsibilities.	Operating income↑ Operating costs↓	
		Products and services	The Company purchases green products and advocates sustainable consumption, which is conducive to opening up new growth space for the Company.	Operating income↑ Credit risk↓	

4.3 Use of Energy

Energy resources that the Group consumes in the course of operations mainly include electricity and natural gas. The Group has developed the Operation Standards Manual (《運營標準手冊》), and the Operation Requirements for Energy Saving and Consumption Reduction (《節能降耗相關的操作要求》) to standardize store operation, logistics and warehousing and office working, and proactively adopts energy conservation measures to improve energy efficiency.

Main measures to improve energy efficiency in 2020

Store operation	Stores of Lianhua Supermarket Development: • Completion of the replacement of all energy-saving lamps and transform the long freezer cover Stores of Century Lianhua: • The use of LED lamps saves energy equivalent to 400 tons of standard coal per year • The intelligent control system effectively controls the compressor of cold chain system and the anti-dew system of freezer to avoid frequent startup of compressor and reduce energy consumption • After energy-saving transformation of refrigeration system, real-time monitoring of energy data was achieved through the contract energy management mode
Logistics and warehousing	• Due to the replacement of 1,580 LED tubes and replacement of 56 special lamps for the cold storage of high and low temperature warehouses, the annual electricity bill in 2020 dropped by 8.59% year on year • Adoption of energy-saving refrigeration compressor unit and assembly line equipment • Application of ribbon skylight design • Real-time monitoring of electric energy data to strengthen electric energy management • Electric forklifts were used for loading goods on shelves, picking goods, and collection of goods

The Company mainly derives water from the tap water supplied by the municipal network. Therefore, the Company does not have problem in sourcing water resources. The Group promotes water conservation awareness among employees through publicity on water conservation, regularly inspects and maintains water consuming equipment, and repairs and updates damaged equipment in a timely manner, to improve water efficiency in operations. In addition, the Group has incorporated water consumption, consumables consumption and other indicators in the store assessment plan through the store partner plan of Lianhua Supermarket Development, hence promoting the independent conservation of water and consumables in stores.

4.4 Emissions Management

The Group is not engaged in industrial production. The emissions generated during office operations mainly include: domestic waste water generated by the offices, the domestic waste water generated during the logistics operation process and oily sewage generated by vehicle maintenance. Lianhua Logistics has set up a secondary sewage treatment tank to treat such oily sewage generated by vehicle maintenance before discharge.

Waste generated by the Group during the store operation process is mainly non-hazardous waste such as packaging materials, paper used for printing of shopping receipts and expired fresh produce, and other wastes including LED lights, air cabinets and conductive cabinets (including electronic thermometers, etc.).The Group signs the Waste Packaging Material Acquisition Contract (《廢包裝物收購合同》) with third party to properly dispose waste packaging materials.

Measures to reduce waste discharge in 2020

Store operation	• The waste refrigerators recycled from the stores of Lianhua Supermarket Development were valued RMB1.59 million in 2020 • Biodegradable plastic bags were promoted in all stores
Logistics and warehousing	• Online electronic reconciliation and optimization of warehouse work flow reduced paper consumption • The use of pallets, roll containers, turnover box and other green vehicles and establishment of recycling system increased recycling rate and reduced waste plastic products
Office	• The traditional way of distributing paper documents and materials has been changed to electronic file viewing of meeting documents, saving about RMB600 of paper consumption every year

4.5 Promotion of Green Life

As a large-scale retail chain enterprise, the Group promotes the concept of green consumption through store activities, store posters and the setting of organic green products counters. In 2020, the Group focused on green concept advocacy activities in terms of plastic reduction, energy conservation and environmental protection, and waste classification, and proactively promoted low-carbon and green lifestyles and consumption patterns to consumers.

Green Concept Advocacy Activities

Plastic reduction	Reduction of the use of plastic bags: • The stores of Lianhua Supermarket Development carried out publicity on plastic reduction by posting posters and other exhibits, such as reminders of "use one at a time, don't take more" for the roll-up bags used by customers • The stores stopped selling ultra-thin plastic shopping bags with a thickness of less than 0.025 mm, and were prohibited to provide disposable plastic shopping bags to customers, and the delivery to home business was prohibited to use non-degradable plastic shopping bags for packaging take away products • Eco-friendly bags were displayed at cashiers and eye-catching locations in stores to promote the use of eco-friendly shopping bags Reduction of the use of disposable plastic products: • The stores stopped selling disposable foamed plastic tableware and disposable plastic cotton swabs • Relevant stores offering dine-in food stopped providing non-degradable disposable plastic straws to customers, stores offering dine-in services stopped providing customers with disposable tableware, and provided the option of "no cutlery" when providing takeaway services for customers

Energy conservation and environmental protection	• The "Earth Hour" lights-off activity was carried out for the third year. One-third of the lighting power in stores, display TVs in stores, various advertising power supplies, shelf power supplies, power sources for office areas, etc. were turned off. The content of the event was explained through broadcast, service counter, and cashier, and the "Another Way to Open the Earth" WeChat push message was sent to consumers through the service account of Lianhua Supermarket, covering 332 stores of Lianhua Supermarket Development stores and 33 Century Lianhua stores • Lianhua Anhui Company launched a Century Earth Day publicity campaign on 22 April themed by "Cherish the Earth, Harmonious Coexistence of Human and Nature", to spread the concept of harmonious coexistence between human and nature
Waste classification	• Lianhua Jiangsu Company issued the Guidelines for the Classification and Disposal of Domestic Waste (《生活垃圾分類投放指引》) to consumers in stores to promote the waste classification, facility settings, collection and transportation procedures and relevant penalty rules

5 Community: Contribution to the Community and Guarantee of People's Livelihood

The Group is committed to taking advantages of retail outlets to actively participate in community development, targeted poverty alleviation and rural revitalization, and make contributions to community services and guarantee of people's livelihood. During the epidemic, the Group proactively assumed social responsibilities and maintained employment opportunities through a flexible employment model to create well-being for employees, customers and the entire society.

5.1 Development of Friendly Community

The Group encourages all stores to establish closer ties with the local community, interact effectively with the community, and promote the common development of the community and the Group. The Group actively builds the disaster preparation centers and the community convenience center to promote the common development of the community and itself. Meanwhile, Shanghai Operation Center establishes the community neighbor center to enhance the communication between the store and the community through customer interaction activities, festival theme activities, charity activities and customer social group operation.

Area of Community Service	Measures	Progress in 2020
Disaster preparation center	• Prepare and transport aid supplies	• Lianhua Anhui Company supported flood-fighting logistics materials along the Yangtze River in Anhui
Community convenience center	• Launch store charity activities	• Lianhua Huashang launched the "a bottle of water relay" to send cool and "cloud stand charity sale" to offer love" activities, and provided free drinking water to workers in front-line high temperature positions such as city cleaners and parking toll collectors through online live streaming charity sales activities

Area of Community Service	Measures	Progress in 2020
	• Carry out community building activities	• The stores of Lianhua Supermarket Development helped the elderly living alone clean up their houses, and sent condolences to the needy families in the community, the elderly in the community nursing home, the elderly living alone in the community and the old artists in the community • Lianhua Anhui Company carried out community activities such as Party class in the community, food safety lectures, etc. • Lianhua Anhui Company sent condolences to Party members and masses in difficulties and children from families in difficulties in the jurisdiction • Lianhua Jiangsu Company gave high-temperature condolences to the Park Brigade of Suzhou Public Security Fire Fighting Branch • Lianhua Guangxi Company carried out the volunteer cleaning activity of "Love the Country, Love the Family, Love Liuzhou, Cleaning Garbage to beautify Liuzhou" to make contributions to the construction of a beautiful city

5.2 Targeted Poverty Alleviation and Rural Revitalization

The Group carried out targeted poverty alleviation and rural revitalization through procurement assistance to farmers and paired assistance. On one hand, the Group introduced high-quality agricultural products from Chongming, and used a large number of offline outlets and online digital e-commerce platforms to help large-scale development and industrialization of Chongming's ecological agriculture. Meanwhile, Lianhua Huashang continued to promote the "three services" to boost the rural revitalization of Linqi Village.

Lianhua Huashang continued to promote the "three services" to boost the rural revitalization of Linqi Village

In 2020, Lianhua Huashang went to Linqi Village to carry out pairing and co-construction activities and hold co-construction seminars, continued to use channels and resource advantages to open up the industrial chain and build a support platform, and took various measures to help the sales of high-quality agricultural products and increase farmers' income. In addition, Lianhua Huashang launched activities to send knowledge, love, and health to fully support the revitalization and development of Linqi.

✓ Send knowledge to support education before poverty alleviation: Lianhua Huashang adhered to" double support of will and wisdom", and helped students through donations and book funding. A support contact person was designated to regularly understand the students' learning, growth and needs, and more than 150 books were donated to the students in Linqi

✓ Send love to help people relieve difficulties: Lianhua Huashang visited to condole and survey poor farmers, and communicated with them on the status of family members, economic income and needs

✓ Send health and warm people's hearts with free clinical treatment: the Party branch of Meinian Onehealth Healthcare Zhejiang Company was invited to carry out paired construction, providing villagers with blood pressure testing, blood sugar testing, health consultation and other free clinic services, to enhance villagers' health awareness

On the other hand, the Group proactively carried out poverty alleviation through education and consumption. The poverty alleviation was performed in Anhui, Hubei, Guizhou and other places, to strengthen corporate accountability and effectively fulfill social responsibilities.

Targeted Poverty Alleviation Activities

Poverty alleviation through education	• the pre-assigned students from the counterpart villages of paired assistance in Yongren County, Chuxiong Prefecture, Yunnan Province were subsidized with RMB10,000 per person per year as living expenses for a total of 3 years
Poverty alleviation through consumption	• As a response to government policy, Lianhua Anhui Company delivered goods to the countryside for those who could not use smartphones or receive and use consumer vouchers to protect guarantee for the lives of people in need • Lianhua Huashang promoted the "31590" poverty alleviation projects, including the "Goods from Guizhou into 100 Stores" project and the "Selenium Products into Hangzhou" project • Lianhua Huashang, as a Hangzhou municipal-level operating company of the " Hundred Stores in Ten Cities" project for Zhejiang for aiding Xinjiang, established the Aksu special agricultural products store on the online e-commerce platform "Lianhua Selection" to drive the agricultural product sales and increase farmers' income of Aksu • Lianhua Guangxi Company launched fresh discount festival promotions and vegetable bases to help farmers. It established more than 30 agricultural bases to directly supply products to supermarkets in Sanjiang, Rongshui and other counties, helping and driving more than 15,000 farmers (including more than 2,000 registered poor households) to get rid of poverty and become rich • Lianhua Guangxi Company created a new poverty alleviation model of "Farmer-supermarket Connection"

The "31590" poverty alleviation project of Lianhua Huashang helped sell agricultural products from the areas subject to assistance

In 2020, Lianhua Huashang promoted the "31590" poverty alleviation project and set up special counters in offline special stores to simultaneously sell special products of poverty alleviation store online. At the same time, after the completion of the model store of Qingchun Store, the first demonstration store of poverty alleviation through consumption, in 2019, Lianhua Huashang continued to promote it in many stores, and introduced high-quality and differentiated agricultural products from the areas of paired assistance. Since 2013, Lianhua Huashang has assisted in the purchase of more than 1,600 varieties, covering vegetables, meat and poultry, aquatic products, etc., and helped sales of nearly 67,300 tons, and the sales amount has exceeded RMB608 million.

✓ Promotion of the "Goods from Guizhou into 100 Stores" project: it signed the agreement on general agency of "Sansui Duck" in Zhejiang and signed the Agricultural Products Supply and Marketing Cooperation Agreement, to implement the direct supply of characteristic vegetables from Southeast Guizhou.

✓ Promotion of the "Selenium Products into Hangzhou" project: Multiple channels and multiple platforms including offline sales through the poverty alleviation demonstration store of Qingchun Store and online sales through Lianhua Selection were adopted for simultaneous promotion of agricultural and sideline products from Hubei. More than 80 types of poverty alleviation products were purchased throughout the year, and the sales exceeded more than 10,000 tons and the sales amount reached RMB110 million.

New Poverty Alleviation Model of "Farmer-supermarket Connection" of Lianhua Guangxi Company

As a response to the municipal government's "Hundred Enterprises Supporting Hundred Villages" poverty alleviation plan, Lianhua Guangxi Company created a new poverty alleviation model of "Farmer-supermarket Connection" which set up a sales channel for delivery of high-quality products from fields to supermarkets to reduce the risk of farmers growing vegetables, reduce the intermediate circulation, ensure the quality and safety of agricultural products from the source, promote the high-quality development of rural agriculture, and further consolidate and improve the quality and effectiveness of poverty alleviation in Sanjiang County.

Besides, in order to better support poverty alleviation, Lianhua Guangxi Company stipulated that for every Sanjiang rice dumpling sold, 5 cents would be donated to Sanjiang; for every catty Sanjiang fruits and vegetables sold, a designated aid would be given to a poor household.

5.3 Fight the Epidemic and Guarantee of Supply for People's Livelihood

The 2019 novel corona virus continued to affect the livelihoods of people around the world, and increased public health and safety risks. The Group proactively fulfilled its role as a retail company and stabilized the supply and prices of goods of daily use, to ensure the normal operation of hypermarkets, supermarkets and convenience stores, and guarantee people's purchase of good of daily use. In addition, the Group carried out employee donations, totaling RMB105,823, to support the COVID-19 prevention and control.

Faced with the geometrical increase in demand for cold chain fruits and vegetables during the epidemic, the Group established a leading group as soon as possible to urgently research and deploy prevention and control work, formulated the proposal "To fight the epidemic, Lianhua must always be ready", and launched the "'Anti-epidemic' Frontline, We are in the Store — Special Party Day Themed Activities" to organize the employees of the Group to support the frontline stores with practical actions.

Guarantee Commodity Supply for People's Livelihood by Regional Companies in 2020

Stores in Shanghai	• It supported Shanghai Yueyang Hospital, Jinshan Public Health Center, Shanghai Municipal Center for Disease Control and Prevention in the supply of epidemic prevention and rescue materials
Lianhua Huashang	• It was granted the "Enterprise with Outstanding Contributions" to guarantee of supply for the COVID-19 prevention and control market in the Zhejiang Province, the "Advanced Collective" of COVID-19 prevention and control of Hangzhou City, the "Advanced Collective" of guarantee of supply for the COVID-19 prevention and control of Hangzhou City, the "Advanced Youth League Committee" of COVID-19 prevention and control of Hangzhou City, etc.
	• It supported the living supplies of doctors in Wuhan
Lianhua Anhui Company	• Wuhu Century Lianhua Zhongshan Store was the first supermarket in Wuhu as a "sales point of government epidemic prevention materials"
	• It launched the "One Yuan Love Vegetables" and set up the "Affordable Vegetables Zone during Epidemic"
Lianhua Jiangsu Company	• Century Lianhua Taizhou Store was one of the sales points of disposable medical masks in the main urban area of Taizhou City

The Group proactively participated in the Million Stores Charity Program, to provide consumers with accurate epidemic information as soon as possible, allowing consumers to grasp the online information on surrounding epidemics in real time, and provide convenient delivery to home services to ensure consumers' online shopping, covering 960 stores across the country.

6 Performance

Environment

Performance indicator	Unit	2018	2019	2020
Emissions				
Total GHG emissions[1]	ton CO_2e	322,990.22	335,018.31	**364,158.07**
Scope 1 GHG emissions[1]	ton CO_2e	2,933.93	3,086.53	**3,220.81**
Scope 2 GHG emissions[1]	ton CO_2e	320,056.29	331,931.78	**360,937.26**
GHG emissions per unit business area[1]	kg CO_2e/m^2	172	195	**203**
Total quantity of hazardous wastes[2]	ton	30.52	32.43	**9.239**
Hazardous wastes output per unit business area	kg/m^2	0.05	0.04	**0.01**
Total quantity of non-hazardous wastes[2]	ton	4,207.00	4,030.34	**5,581.96**
Non-hazardous wastes output per unit business area	kg/m^2	6.32	5.58	**8.32**
Use of Resources				
Total consumption of power[3]	MWh	440,074.79	443,256.58	**443,196.57**
Power consumption per unit business area	kWh/m^2	234.20	241.50	**247.22**
Total gas consumption	m^3	115,537.90	93,709.00	**136,194.08**
Gas consumption per unit business area	m^3/m^2	0.14	0.12	**0.15**
Total water consumption[4]	10,000m^3	271.47	320.69	**322.53**
Water consumption per unit business area	ton/m^2	1.55	1.89	**1.80**
Total quantity of purchased packages[5]	ton	2,926.03	2,564.73	**2,229.26**

Notes:

1. The Scope 1 GHG emissions, Scope 2 GHG emissions, GHG emissions and GHG emissions per unit business area for 2018 and 2019 have been updated and calculated according to the coefficients under the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the SEHK.

2. Data in relation to non-hazardous wastes in 2018 exclude Lianhua Supermarket Development, Lianhua Quik, Lianhua Huashang, Lianhua Henan Company and Lianhua Guangxi Company. Data in relation to hazardous wastes in 2018 exclude Lianhua Supermarket Development, Lianhua Quik, Lianhua Huashang and Lianhua Henan Company. Data in relation to hazardous and non-hazardous wastes in 2019 and 2020 exclude Lianhua Supermarket Development, Lianhua Quik, Lianhua Huashang and Lianhua Henan Company.

3. Total consumption of power in 2018 excludes the power consumption of stores of Lianhua Quik.

4. Total water consumption in 2018 excludes the water consumption of stores of Lianhua Quik.

5. Packages include trays, cling film and roll bags. Data in relation to packages in 2018 exclude Lianhua Quik and Lianhua Guangxi Company; and those in 2019 and 2020 exclude Lianhua Quik.

Employment and Labor Practice

Performance indicator	Unit	2018	2019	2020
Employment				
Total staff	Person	37,579	35,238	**31,368**
Males	Person	11,728	10,885	**9,818**
Females	Person	25,851	24,353	**21,550**
Labour contract staff	Person	29,616	27,678	**24,911**
Labour dispatch staff	Person	4,245	3,576	**3,326**
Staff in other ways of employment[1]	Person	3,718	3,984	**3,131**
Under 30 years old	Person	3,241	2,788	**2,289**
30-50 years old	Person	28,991	26,960	**23,781**
Over 50 years old	Person	5,347	5,490	**5,298**
Number of staff from mainland	Person	37,578	35,237	**31,368**
Number of staff from Hong Kong, Macao and Taiwan & overseas	Person	1	1	**0**
Employee turnover rate	%	22.17	19.90	**26.98**
Male employees' turnover rate	%	21.01	17.59	**33.29**
Female employees' turnover rate	%	22.68	20.90	**24.11**
Under 30 years old employees' turnover rate	%	41.51	37.45	**64.53**
30-50 years old employees' turnover rate	%	18.04	16.02	**21.69**
Over 50 years old employees' turnover rate	%	27.47	26.16	**34.50**
Turnover rate of staff from mainland	%	22.17	19.90	**26.97**
Turnover rate of staff from Hong Kong, Macao and Taiwan & overseas	%	0	0	**0**
Health and safety				
Number of work-related fatalities	Person	1	1	**0**
Lost days due to work injury	Day	13,808	9,816	**9,858**
Number of participants attending safety trainings	Person time	208,131	238,333	**165,660**
Development and training				
Percentage of employees trained	%	91.21	94.41	**93.50**
Percentage of male employees trained	%	100	90.95	**30.89**
Percentage of female employees trained	%	87.23	95.96	**69.11**
Percentage of junior management trained	%	100	93.69	**97.63**
Percentage of middle management trained	%	44.41	97.87	**2.24**
Percentage of senior management trained	%	100	100	**0.12**
Average training hours completed per employee	Hour	13.56	19.14	**17.36**
Average training hours completed by male employees	Hour	13.56	26.22	**19.22**
Average training hours completed by female employees	Hour	13.56	15.98	**16.50**
Average training hours completed by junior management	Hour	14.36	19.07	**17.03**
Average training hours completed by middle management	Hour	10.23	22.99	**32.19**
Average training hours completed by senior management	Hour	51.82	18.59	**15.78**

Note:

1. Staff in other forms of employment includes hourly workers, people re-employed after retirement, outsourcing staff, borrowed staff, people who agree to retain the social insurance relations, and apprentices.

Product responsibility

Performance indicator	Unit	2018	2019	2020
Percentage of total products sold subject to recalls for safety and health reasons	%	0.005	0.002	**0.003**
Complaint received in relation to products and services	Case	2,035	4,120	**3,645**
Complaint treatment rate with respect to products and services	%	100	100	**100**
Confirmed complaint of infringement of customer privacy and loss of customer information	Case	/	/	**0**

Supply chain management

Performance indicator	Unit	2018	2019	2020
Number of suppliers	/	2,180	2,033	**2,279**
Number of suppliers from mainland	/	2,178	2,031	**2,277**
Number of suppliers from Hong Kong, Macao and Taiwan & overseas	/	2	2	**2**

Anti-corruption

Performance indicator	Unit	2018	2019	2020
Percentage of employees covered by anti-corruption training	%	/	/	**12.52**
Average hours of anti-corruption training per employee	hour	/	/	**1.54**
Percentage of members of the Board covered by anti-corruption training	%	/	/	**27.27**
Average hours of anti-corruption training per director	hour	/	/	**3.00**
Number of concluded lawsuits regarding corruption brought against the issuer or its employees during the reporting period	Case	0	0	**0**

Community investment

Performance indicator	Unit	2018	2019	2020
Number of volunteers	Person time	1,195	1,255	**327**
Number of volunteer services hours	hour	1,260	4,297	**293**
Public welfare and community investment amount	RMB'0000	29.74	35.03	**46.98**

Compliance Operation

The Group pays attention to laws and regulations in terms of environmental management, employee employment, product quality management, etc., and regards compliance with laws and regulations as the bottom line of its operations. In 2020, the Group had no confirmed violations of laws and regulations in respect of environmental management, employment and labor practices, and the violations of laws and regulations on product quality management have been disclosed in the product responsibility performance.

Environmental management

- Compliance with the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, Opinions on Further Strengthening the Governance of Plastic Pollution and the Implementation Plan on Further Strengthening the Governance of Plastic Pollution of Shanghai, etc.

Employee employment

- Compliance with the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Special Provisions on Labour Protection for Female Employees, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Law of the People's Republic of China on Social Insurance, Work Injury Insurance Ordinance of the People's Republic of China, Individual Income Tax Law of the People's Republic of China and other laws and regulations.

Product quality management

- Paid attention to the requirements of the relevant laws and regulations including Product Quality Law of the People's Republic of China, Food Safety Law of the People's Republic of China, Measures for the Supervision and Administration of Quality and Safety of Edible Agriculture Products Market, Administrative Measures for Food Recall, Regulations of Shanghai Municipality on the Protection of Consumers' Rights, Regulations of Shanghai Municipality on Food Safety, the Measures for Traceability Management of Food Safety Information of Shanghai Municipality and other laws and regulations.

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Aspects, General Disclosures and KPIs	Description	Chapter Disclosed
	Subject Area A. Environmental **Aspect A1.Emissions**	
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Development Management
KPI A1.1	The types of emissions and respective emissions data.	Emissions Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Not disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions Management

Aspects, General Disclosures and KPIs	Description	Chapter Disclosed
	Aspect A2.Use of Resources	
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	Response to Climate Changes
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Not disclosed
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Response to Climate Changes
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Performance
	Aspect A3.The Environment and Natural Resources	
General Disclosure A3	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Green Development Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Development Management
	Aspect A4.Climate Change	
General Disclosure A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Response to Climate Changes
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Response to Climate Changes

Aspects, General Disclosures and KPIs	Description	Chapter Disclosed
	Subject Area B. Social Employment and Labour Practices	
	Aspect B1.Employment	
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Protection of Rights and Benefits of Staff
KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	Performance
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance
	Aspect B2.Health and Safety	
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Protection of the Health and Safety of Staff
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Performance
KPI B2.2	Lost days due to work injury.	Performance
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Protection of the Health and Safety of Staff

Aspects, General Disclosures and KPIs	Description	Chapter Disclosed
	Aspect B3.Development and Training	
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Empowerment of Staff's Career Path
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance
	Aspect B4.Labour Standards	
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Protection of Rights and Benefits of Staff
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Protection of Rights and Benefits of Staff
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Protection of Rights and Benefits of Staff

Aspects, General Disclosures and KPIs	Description	Chapter Disclosed
	Subject Area B. Social Operating Practices	
	Aspect B5.Supply Chain Management	
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	Whole Process Quality Control
KPI B5.1	Number of suppliers by geographical region.	Performance
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Whole Process Quality Control
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Whole Process Quality Control
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Whole Process Quality Control
	Aspect B6.Product Responsibility	
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Whole Process Quality Control
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Performance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service and Communication Performance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	The indicator is not applicable as the Company is a retail enterprise
KPI B6.4	Description of quality assurance process and recall procedures.	Whole Process Quality Control
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Service and Communication

Aspects, General Disclosures and KPIs	Description	Chapter Disclosed
	Aspect B7.Anti-corruption	
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Building Operation Basis in Compliance with Laws
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Performance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Building Operation Basis in Compliance with Laws
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Building Operation Basis in Compliance with Laws
	Aspect B8.Community Investment	
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Development of Friendly Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community: Contribution to the Community and Guarantee of People's Livelihood
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Performance

联华超市股份有限公司
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