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

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

(Stock Code: 00980)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

As at 30 June 2022, the Group recorded the following:

- Revenue amounted to RMB13,585 million, representing an increase of approximately 2.6% year on year. Same store sales increased by approximately 4.97% year on year, in which the hypermarket segment increased by approximately 4.69%, the supermarket segment increased by approximately 7.13% and the convenience store segment decreased by approximately 12.29%.

- Gross profit amounted to approximately RMB1,799 million, representing an increase of approximately 11.1% year on year. Gross profit margin was approximately 13.24%, representing an increase of approximately 1.01 percentage points year on year. Consolidated income margin was approximately 22.28%.

- Operating profit amounted to approximately RMB154 million, representing an increase of approximately 44.4% year on year, and operating profit margin was approximately 1.13%, representing an increase of approximately 0.32 percentage point year on year. Profit attributable to the shareholders of the Company amounted to approximately RMB14 million. Basic earnings per share amounted to RMB0.01.

- The total number of outlets reached 3,336. During the period under review, the Group opened 203 new outlets, including one hypermarket, 171 supermarkets (including 110 directly-operated stores and 61 franchised stores) and 31 convenience stores (including 22 directly-operated stores and nine franchised stores).

Note 1: Consolidated income = Gross profit + Other revenue + Other income and other gains and losses

Note 2: Consolidated income margin = (Gross profit + Other revenue + Other income and other gains and losses)/Revenue

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

Note 4: Operating profit margin = (Profit before tax – Share of profits of associates)/Revenue

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**13,585,003**	13,238,371
Cost of sales		**(11,786,043)**	(11,619,642)
Gross profit		**1,798,960**	1,618,729
Other revenue	*3*	**1,011,654**	1,134,883
Other income and other gains and losses	*5*	**216,343**	252,639
Distribution and selling expenses		**(2,322,341)**	(2,325,440)
Administrative expenses		**(377,057)**	(423,219)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal		**(5,606)**	(4,196)
Other expenses	*6*	**(27,866)**	(4,329)
Share of results of associates		**(22,643)**	18,238
Finance costs	*7*	**(140,137)**	(142,481)
Profit before taxation	*8*	**131,307**	124,824
Income tax expense	*9*	**(71,181)**	(64,704)
Profit for the period		**60,126**	60,120
Total comprehensive income for the period		**60,126**	60,120
Profit for the period attribute to:			
Owners of the Company		**13,700**	20,077
Non-controlling interests		**46,426**	40,043
		60,126	60,120
Total comprehensive income for the period attributable to:			
Owners of the Company		**13,700**	20,077
Non-controlling interests		**46,426**	40,043
		60,126	60,120
Earnings per share – basic	*11*	**RMB0.012**	RMB0.018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	**30 June 2022 (Unaudited) *RMB'000***	31 December 2021 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**3,493,866**	3,341,988
Construction in progress		**10,585**	9,740
Right-of-use assets		**5,990,465**	6,386,548
Goodwill		**149,938**	127,953
Intangible assets		**114,748**	127,336
Interests in associates		**679,777**	703,205
Financial assets at fair value through profit or loss ("**FVTPL**")		**44,167**	52,229
Finance lease receivables		**212,458**	237,571
Term deposits		**2,935,720**	3,980,870
Deferred tax assets		**9,253**	8,045
Other non-current assets		**121,578**	286,186
		13,762,555	15,261,671
Current assets			
Inventories		**2,425,312**	2,839,495
Finance lease receivables-current		**49,350**	46,245
Prepaid rental		**2,674**	441
Trade receivables	*12*	**398,106**	145,386
Deposits, prepayments and other receivables		**723,733**	715,302
Financial assets at FVTPL		**996,100**	997,618
Amounts due from ultimate holding company		**8**	15,028
Amounts due from fellow subsidiaries		**45,734**	37,933
Amounts due from associates		**326**	251
Term deposits		**2,222,050**	577,100
Cash and cash equivalents		**2,092,304**	2,193,456
		8,955,697	7,568,255
Total assets		**22,718,252**	22,829,926

	NOTES	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Capital and reserves			
Share capital		**1,119,600**	1,119,600
Reserves		**(76,012)**	(89,712)
Equity attributable to owners of the Company		**1,043,588**	1,029,888
Non-controlling interests		**354,209**	224,509
Total equity		**1,397,797**	1,254,397
Non-current liabilities			
Deferred tax liabilities		**137,271**	120,359
Lease liabilities		**5,360,915**	5,741,487
		5,498,186	5,861,846
Current liabilities			
Trade payables	*13*	**4,104,619**	3,467,986
Other payables and accruals		**1,642,976**	2,060,971
Lease liabilities		**1,056,423**	911,399
Contract liabilities		**8,581,111**	8,540,256
Deferred income		**564**	1,475
Amount due to ultimate holding company		**11,709**	–
Amounts due to fellow subsidiaries		**265,258**	626,409
Amounts due to associates		**1,764**	1,851
Tax payable		**157,845**	103,336
		15,822,269	15,713,683
Total liabilities		**21,320,455**	21,575,529
Net current liabilities		**(6,866,572)**	(8,145,428)
Total equity and liabilities		**22,718,252**	22,829,926

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. PRINCIPAL ACTIVITIES

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

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

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

As of 30 June 2022, the Group has net current liabilities of RMB6,866,572,000 (31 December 2021: RMB8,145,428,000). Taking into account of the Group's ability to withdraw the non-current unrestricted term deposits of RMB2,215,300,000, the historical settlement and addition pattern of the coupon liabilities (included in contract liabilities), 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 consolidated financial statements are presented in Renminbi (the "**RMB**"), which is the same as the functional currency of the Company and its subsidiaries.

A SIGNIFICANT EVENT AND TRANSACTION IN THE CURRENT INTERIM PERIOD

As 80% of the Group's stores were located in the Yangtze River Delta, the Group's business was seriously affected by the COVID-19 pandemic in the first half of 2022. Particularly in April and May 2022 when Shanghai imposed static control citywide, most of the Group's stores in Shanghai were closed temporarily, and the stores in Zhejiang and Jiangsu were also affected to some extent. During the serious outbreak, the Group has made concerted efforts to ensure supplies while strictly implementing epidemic prevention measures in accordance with relevant requirements. The sales for ensuring supplies achieved by stores in Shanghai during the pandemic effectively offset the operating loss caused by business suspension.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND OTHER REVENUE

The Group is principally engaged in the operation of chain stores for hypermarkets, supermarkets and convenience stores. Revenue recognised during the period are as follow:

Disaggregation of revenue from contracts with customers

Type of Revenue

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sales of merchandises	**13,585,003**	13,238,371
Services		
Income from suppliers	**807,917**	837,165
Royalty income from franchised stores	**19,207**	21,163
Commission income from coupon redemption in other retailers	**3,120**	553
	830,244	858,881
	14,415,247	14,097,252

Timing of revenue recognition

At a point in time	**13,588,123**	13,238,924
Over time	**827,124**	858,328
	14,415,247	14,097,252

3. REVENUE AND OTHER REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers	**14,415,247**	14,097,252
Rental income from leasing of shop premises	**181,410**	276,002
Total revenue and other revenue	**14,596,657**	14,373,254

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue (including revenue and other revenue) and results by reportable and operating segments, which the Group's General Manager, being the Group's chief operating decision maker (the "**CODM**"), reviews when making decisions about allocating resources and assessing performance:

	Segment revenue *(note)*		**Segment results**	
	Six months ended 30 June		**Six months ended 30 June**	
	2022	2021	**2022**	2021
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hypermarkets	**7,773,972**	7,982,073	**139,985**	136,311
Supermarkets	**5,905,912**	5,465,778	**123,618**	67,044
Convenience stores	**729,720**	824,775	**(12,250)**	8,621
Other operations	**187,053**	100,628	**326**	(10,961)
	14,596,657	14,373,254	**251,679**	201,015

Note: Segment revenue includes both revenue and other revenue for both periods presented.

4. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Segment results	**251,679**	201,015
Unallocated interest income	**15,332**	26,001
Unallocated income and other gains and losses	**(6,987)**	(7,500)
Unallocated expenses	**(106,074)**	(112,930)
Share of results of associates	**(22,643)**	18,238
Profit before taxation	**131,307**	124,824

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

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

Segment results did not include share of results of associates, allocation of corporate income, other gains and losses and expenses (including certain interest income relating to funds managed centrally). This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Information on segment assets and liabilities is not disclosed since these information are not used by CODM in assessing the performance of reportable segments.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest income on bank balances and term deposits	**125,207**	141,845
Government subsidies *(note i)*	**19,753**	38,801
Loss on change in fair value of financial assets at FVTPL	**(5,283)**	(7,988)
Gain on disposal of right-of-use assets and property, plant and equipment	**28,555**	26,913
Salvage sales	**13,284**	15,258
Income from breakage *(note ii)*	**8,826**	5,746
Coupon charges	**5,563**	7,732
Penalty income	**4,400**	8,198
Membership income	**2,428**	6,105
Others	**13,610**	10,029
Total	**216,343**	252,639

Notes:

(i) The Group received unconditional subsidies from the PRC local government as an encouragement for operation of certain subsidiaries in certain regions of the PRC.

(ii) The Group recognises the amount by reference to a ratio which is derived from historical information that represents proportion of the coupons issued by the Group to coupons not yet utilized by the customers for over five years. The breakage amounts are recognised as revenue from contract liabilities according to HKFRS 15.

6. OTHER EXPENSES

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Impairment loss recognised on right-of-use assets	**12,766**	–
Store closure expenses	**9,210**	199
Others	**5,890**	4,130
	27,866	4,329

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest expenses on lease liabilities	**126,530**	142,379
Interest expenses on borrowing	**10,244**	102
Other	**3,363**	–
	140,137	142,481

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
After charging:		
Amortisation and depreciation		
Amortisation of intangible assets – software	**11,617**	9,857
Depreciation of property, plant and equipment	**178,826**	161,108
Depreciation of right-of-use assets	**507,203**	554,088
	697,646	725,053
Cost of inventories recognised as an expense	**11,786,043**	11,619,642
Impairment loss recognised on right-of-use assets *(note 6)*	**12,766**	–
Allowance for credit losses	**5,606**	4,196
Staff costs	**1,194,152**	1,191,348
Write-down (reversals) of inventories	**500**	(977)
After crediting:		
Share of results of associates		
Share of (loss) profit before taxation	**(21,958)**	24,731
Less: Share of taxation	**685**	6,493
	(22,643)	18,238

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax on PRC Enterprise Income Tax ("**EIT**")	**90,517**	67,195
Deferred tax credit	**(19,336)**	(2,491)
	71,181	64,704

No provision for Hong Kong profits tax has been made as the Group has no assessable profits subject to Hong Kong profits tax in both periods presented.

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries is 25%. Certain subsidiaries are taxed at preferential rate of 15% as those entities which are located in specific provinces of Western China up to year 2030. In addition, certain subsidiaries which are qualified as small low-profit enterprises are entitled to enjoy preferential EIT rate with ranging 2.5% to 7.5%.

As of 30 June 2022, the Group had unused tax losses of RMB3,028,190,000 (31 December 2021: RMB3,448,816,000) for which no deferred tax asset had been recognised due to the unpredictability of future profit streams.

10. DIVIDEND

The directors do not recommend the payment of an interim dividend for both interim periods.

11. EARNINGS PER SHARE – BASIC

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company	**13,700**	20,077

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,119,600,000**	1,119,600,000

No diluted earnings per share is presented as there was no dilutive potential ordinary shares in issue for both periods.

12. TRADE RECEIVABLES

The aging analysis of the trade receivables net of allowance for credit losses at the end of the reporting period, arising principally from sales of government for guaranteeing supply and wholesalers with credit terms ranging from 30 to 60 days.

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
0 – 30 days	**367,811**	142,429
31 – 60 days	**32**	2,048
61 – 90 days	**420**	401
91 days – one year	**29,843**	508
	398,106	145,386

Note: 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.

13. 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 (31 December 2021: 30 to 60 days), is as follows:

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
0 – 30 days	**1,329,545**	1,494,703
31 – 60 days	**970,042**	718,851
61 – 90 days	**325,222**	366,786
91 days – one year	**1,479,810**	887,646
	4,104,619	3,467,986

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

In the first half of 2022, the global economy was extremely weak due to the complex and volatile international situation, multiple crises and conflicts and the COVID-19 pandemic. China was faced with both internal and external pressures in the first half of 2022, as the conflict between Russia and Ukraine continuously escalated and China's economy struggled with the unexpected COVID-19 outbreaks in multiple regions of the country. China's economy maintained overall stability in the first quarter of 2022, with the gross domestic product (GDP) growing by 4.8% year on year and the total retail sales of consumer goods increasing by 3.3% year on year. In April and May 2022, the international environment and the COVID-19 development in Shanghai, Jilin and other regions intensified the downward pressure on the economy, and the two months witnessed the total retail sales of consumer goods decreasing by 11.1% and 6.7% year on year, respectively. In June 2022, with the Chinese government's efficient epidemic prevention measures and a series of policy measures to stabilize growth, the COVID-19 pandemic was basically contained, the economy was gradually recovering, and the consumption market showed a strong momentum of recovery, with the total retail sales of consumer goods achieving a turnaround and increasing by 3.1% year on year.

In the first quarter of 2022, Shanghai, Jiangsu, Zhejiang and Anhui all recorded over RMB1 trillion of GDP, and Shanghai witnessed its GDP growing by 3.1% as compared to the same period of last year. Seriously affected by the COVID-19 pandemic in the second quarter of 2022, Shanghai saw materially limited investment, consumption, and imports and exports, and its GDP of the quarter decreased by 13.7% year on year. As a result of COVID-19 resurgence in Shanghai, Jiangsu's GDP of the second quarter of 2022 decreased by 1.1% year on year, and Zhejiang's GDP of the second quarter of 2022 was essentially flat, only growing by 0.1% year on year.

As 80% of the Group's stores were located in the Yangtze River Delta, the Group's business was seriously affected by the COVID-19 pandemic in the first half of 2022. Particularly in April and May 2022 when Shanghai imposed static control citywide, most of the Group's stores in Shanghai were closed temporarily, and the stores in Zhejiang and Jiangsu were also affected to some extent. During the serious outbreak, the Group has made concerted efforts to ensure supplies while strictly implementing epidemic prevention measures in accordance with relevant requirements. The sales for ensuring supplies achieved by stores in Shanghai during the pandemic effectively offset the operating loss caused by business suspension.

Great Success of Chinese New Year Promotion

At the beginning of 2022, to seize the opportunities in the peak season of Chinese New Year promotion, the Group developed a series of plans, including the Chinese New Year Promotion Competition, with the brand slogan of "Living wholeheartedly" (「用心過好生活」) and the theme of "Blessings of the Auspicious Year of Tiger" (「福聚虎運年」). Employees from all departments and regions actively promoted the 84-day campaign for the Chinese New Year of 2022. To offer a new experience to customers and attract the youth, the Group introduced numerous new products during the campaign, and launched S-grade marketing activities including "Big Sales at the Start of New Year" (「開門紅大促」), "New Year Greetings with RMB1 Billion Lucky Money" (「十億紅包大拜年」), "RMB10 Million Lucky Money" (「迎新千萬紅包」) and "Employees' Privilege Purchase" (「員工內購會」) during the Chinese New Year peak season and expanded the impact of these activities to all regions through the media. The promotions adopted multiple marketing tactics, including membership marketing, community marketing and e-commerce marketing, and integrated the marketing, purchasing, operation and the logistics through online and offline channels, significantly improving the sales. The Group's reputation was also greatly enhanced by taking advantage of the popular social issues.

Responsibility of a Stated-owned Enterprise in Ensuring Supply during the Epidemic

During the period under review, the Group, as a state-owned enterprise, mobilized all available resources, coordinated all segments, promoted the work through multiple channels and leveraged the expertise and advantages of core segments to ensure supplies. In the first half of 2022, especially in the second quarter when Shanghai was severely affected by the COVID-19 pandemic, the Group took prompt measures to integrate all the segments, and adjust the mindset, the organization, the procedures and the actions. Faced with the severe situation of logistics, the Group unified its mindset and action across all levels, acted decisively in the management of lockdown zones, gathered all available forces, coordinated and allocated social resources, properly prepared plans for ensuring supplies during epidemic and adjusted the relevant measures in due course. During the epidemic, the Group made every effort to ensure supplies to the government, enterprises and all business segments, which totaled over RMB1 billion. The sales remarkably increased, reflecting the Group's sense of responsibility as a state-owned enterprise, and significantly offset the loss caused by business suspension due to the pandemic.

Financial Review

Revenue

During the period under review, the Group's revenue was approximately RMB13,585 million, representing a year-on-year increase of approximately RMB347 million, or approximately 2.6%. The Group's revenue for the first quarter of 2022 was approximately RMB7,870 million, representing a year-on-year increase of approximately RMB234 million, or approximately 3.1%. In the second quarter of 2022, due to the serious epidemic situation in Shanghai and surrounding areas, especially in Shanghai, most stores were closed for nearly two months. Given that, the Group organized forces in a timely manner, coordinated and implemented social resources, and took measures to ensure commodities supply during the epidemic. The sales for ensuring commodities supply made up for the decline in revenue caused by store closures. The revenue of the Group for the second quarter amounted to approximately RMB5,715 million, representing a year-on-year increase of approximately RMB113 million, or approximately 2.0%.

Gross Profit

During the period under review, the Group's gross profit was approximately RMB1,799 million, representing a year-on-year increase of approximately RMB180 million, or approximately 11.1%. Gross profit increased mainly due to a year-on-year increase in sales. During the period under review, the overall gross profit margin of the Group was approximately 13.24%, representing an increase of approximately 1.01 percentage points as compared with the gross profit margin of 12.23% for the corresponding period of last year, mainly due to the decrease in promotional activities as well as the decrease in loss of fresh produce category during the epidemic, as a result of which, the gross profit margin from sales increased.

Other Revenue

During the period under review, the Group's other revenue was approximately RMB1,012 million, representing a year-on-year decrease of approximately RMB123 million, or approximately 10.9%. In the second quarter of 2022, affected by the epidemic, there were some stores closed in Shanghai and surrounding areas, and the operation of tenants was also largely affected, reflected in the withdrawal of tenants and rental default. To retain tenants and ensure rental incomes, the Group discussed with tenants about rental reduction or exemption in accordance with the principle of sharing the pandemic risk and the government's policies on rental reduction or exemption, and offered tenants certain rental reductions or exemptions. During the period under review, our revenue from merchant solicitation decreased by approximately RMB95 million as compared with the corresponding period of last year. In addition, as a result of the decrease in promotional activities during the epidemic, our revenue from suppliers decreased by approximately RMB29 million as compared with the corresponding period of last year.

Other Income and Other Gains and Losses

During the period under review, the Group's other income and other gains amounted to approximately RMB216 million, representing a year-on-year decrease of approximately RMB37 million, mainly due to the year-on-year decrease in subsidy income of approximately RMB19 million as well as the year-on-year decrease in interest income of approximately RMB17 million as a result of the decrease in the interest rate on deposit.

Distribution and Selling Expenses

During the period under review, the Group's distribution and selling expenses amounted to approximately RMB2,322 million, representing a year-on-year decrease of approximately RMB3 million, or approximately 0.1%.

Administrative Expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB377 million, representing a year-on-year decrease of approximately RMB46 million, or approximately 10.9%. During the period under review, the Group continued to strengthen the overall management of budgets as well as the management and control of expenses, upgraded the whole-chain system of cost management and control. Upon excluding the expenses relating to the epidemic prevention and control, the expenses continued to decrease year on year.

Other Expenses

During the period under review, the Group's other expenses amounted to approximately RMB28 million, representing a year-on-year increase of approximately RMB24 million, mainly due to the relevant impairment provision accrued by the Group for the closure of individual stores in the first half of the year.

Share of Results of Associates

During the period under review, the Group's share of losses of associates amounted to approximately RMB23 million, representing a year-on-year decrease of approximately RMB41 million. Among which, the relevant investment gains of Shanghai Carhua Supermarket Co., Ltd., an associate of the Group, decreased by approximately RMB39 million year on year.

Profit before Taxation

During the period under review, the Group's profit before taxation amounted to approximately RMB131 million, representing a year-on-year increase in profit of approximately RMB6 million, or approximately 5.2%.

Income Tax

During the period under review, the Group's income tax expense was approximately RMB71 million, representing a year-on-year increase of approximately RMB6 million.

Profit Attributable to Shareholders of the Company

During the period under review, the Group's profit attributable to shareholders of the Company amounted to approximately RMB13,700 thousand, representing a year-on-year decrease of approximately RMB6,377 thousand, or approximately 31.8%. Based on the 1,119.6 million shares issued by the Group, the basic earnings per share were approximately RMB0.01.

Liquidity and Financial Resources

As at 30 June 2022, the Group's cash and balance at bank amounted to approximately RMB7,250,074 thousand. During the period under review, the net inflow of cash and balance at bank amounted to approximately RMB498,648 thousand, which was mainly the cash inflows from operating activities.

For the six months ended 30 June 2022, the accounts payable turnover period of the Group was approximately 52 days, and the inventory turnover period was approximately 40 days.

During the period under review, the Group did not use any financial instrument for hedging purposes. As at 30 June 2022, there were no arbitrage financial instruments in issue by the Group.

Growth of Each Retail Business

Hypermarkets

During the period under review, the revenue of the hypermarket segment for the first quarter amounted to approximately RMB4,088 million, representing a year-on-year decrease of approximately RMB111 million. Among them, Huashang Store, one of our key stores in Zhejiang, was closed and relocated due to the expiration of the lease in March 2021, reducing the revenue by approximately RMB186 million year on year, while the revenue for the first quarter would record a year-on-year increase of RMB75 million excluding this factor. In the second quarter, due to the impact of pandemic lockdown and control measures, some stores of the hypermarket segment in Shanghai and surrounding areas were temporarily closed, and the stores had offset the effect of store closure through actively working with surrounding communities to organize the commodities supply business. During the period under review, the total revenue of the hypermarket segment slightly decreased to approximately RMB7,143 million, representing a year-on-year decrease of approximately RMB107 million, or approximately 1.5%, accounting for 52.6% to the Group's revenue.

During the period under review, the hypermarket segment recorded a gross profit of approximately RMB956 million, representing a year-on-year increase of approximately RMB69 million. Gross profit margin increased by approximately 1.14 percentage points year on year to approximately 13.38%, mainly due to the decrease in promotional activities as well as the less loss of fresh produce category relating to the sales of commodities supply during the epidemic, as a result of which, the gross profit margin increased. The hypermarket segment recorded a consolidated income of approximately RMB1,733 million, representing a year-on-year decrease of approximately RMB55 million, mainly due to the rental income decreased by approximately RMB63 million year on year as a result of the epidemic. The consolidated income margin decreased 0.41 percentage point year on year.

During the period under review, the aggregate of distribution and selling expenses and administrative expenses of the hypermarket segment amounted to approximately RMB1,466 million, representing a year-on-year decrease of approximately RMB78 million. The hypermarket segment recorded an operating profit of approximately RMB140 million, representing a year-on-year increase of approximately RMB4 million in profit. Operating profit margin increased by 0.08 percentage point year on year to approximately 1.96%.

As at 30 June	**2022**	2021
Gross Profit Margin (%)	**13.38**	12.24
Consolidated Income Margin (%)	**24.26**	24.67
Operating Profit Margin (%)	**1.96**	1.88

Supermarkets

During the period under review, the supermarket segment seized the peak sales season of the Spring Festival in the first quarter of 2022 and recorded a revenue of approximately RMB3,214 million, representing an increase of approximately RMB250 million or approximately 8.4% year on year. In the second quarter of 2022, most of the supermarket stores in Shanghai were closed for nearly two months due to the epidemic, but those stores took advantage of their close proximity to communities to actively provide commodities supply for communities and enterprises to make up for the sales gap. On the other hand, Hangzhou Lianhua Huashang Group Co., Ltd., a subsidiary of the Company, has acquired Zhejiang Bailian Supermarket Co., Ltd.（浙江百聯超市有限公司）since January this year, and recorded a revenue of approximately RMB293 million. During the period under review, the supermarket segment of the Group recorded a revenue of approximately RMB5,553 million, representing an increase of approximately RMB454 million or approximately 8.9% year on year, accounting for approximately 40.9% of the Group's revenue.

During the period under review, the supermarket segment recorded a gross profit of approximately RMB755 million, representing a year-on-year increase of RMB119 million or 18.8%. Gross profit margin increased by 1.13 percentage points year on year to 13.60%. The recorded consolidated income was approximately RMB1,160 million, representing an increase of approximately RMB106 million year on year, among which, a year-on-year decrease of RMB31 million was recorded in rental income due to the pandemic. The consolidated income margin increased by 0.20 percentage point year on year.

During the period under review, the supermarket segment recorded an operating profit of approximately RMB124 million, representing an increase of approximately RMB57 million year on year. The operating profit margin increased by 0.92 percentage point to approximately 2.23%.

As at 30 June	**2022**	2021
Gross Profit Margin (%)	**13.60**	12.47
Consolidated Income Margin (%)	**20.88**	20.68
Operating Profit Margin (%)	**2.23**	1.31

Convenience stores

During the period under review, the convenience store segment focused on strengthening infrastructure construction and increasing the introduction of personalized and new products to cater to young consumers' preference for their fast-moving consumer goods. In the first quarter of 2022, the convenience store segment recorded a revenue of approximately RMB452 million, representing a year-on-year increase of approximately RMB23 million. During the epidemic in the second quarter of 2022, the convenience store segment in Shanghai was under lockdown and closed for a long time with limited commodity categories, the stores had less commodities supply business, and the income was affected to a certain extent. The convenience store segment recorded a revenue of approximately RMB705 million, representing a year-on-year decrease of approximately RMB86 million, accounting for approximately 5.2% of the Group's revenue.

During the period under review, the convenience store segment recorded a gross profit of approximately RMB84 million, representing a year-on-year decrease of approximately RMB3 million. The gross profit margin increased by 0.91 percentage point to approximately 11.93%. The recorded consolidated income was approximately RMB115 million, representing a year-on-year decrease of approximately RMB13 million, and the consolidated income margin slightly increased by 0.04 percentage point year on year to approximately 16.25%.

During the period under review, due to the impact of the epidemic, the operating loss of the convenience store segment was approximately RMB12 million, representing a year-on-year increase of approximately RMB21 million in loss from the same period of last year, and the operating profit margin decreased by 2.83 percentage points to approximately -1.74%.

As at 30 June	**2022**	2021
Gross Profit Margin (%)	**11.93**	11.02
Consolidated Income Margin (%)	**16.25**	16.21
Operating Profit Margin (%)	**–1.74**	1.09

Financial Results Analysis

	Six months ended 30 June RMB million		
	2022	2021	Year-on-year change *(%)*
Revenue	**13,585**	13,238	2.6
Gross profit	**1,799**	1,619	11.1
Consolidated income	**3,027**	3,006	0.7
Operating profit	**154**	107	44.4
Income tax expense	**71**	65	10.0
Profit attributed to shareholders of the Company for the period	**14**	20	–31.8
Basic earnings per share *(RMB)*	**0.012**	0.018	–31.8
Dividend per share *(RMB)*	**Nil**	Nil	N/A

Capital Structure

As at 30 June 2022, the Group's cash and cash equivalents were mainly held in Renminbi. The Group had no other bank borrowings.

During the period under review, the equity attributable to owners of the Group increased from approximately RMB1,029,888 thousand to approximately RMB1,043,588 thousand, which was primarily attributable to the profit of approximately RMB13,700 thousand recorded in the period.

Details of the Group's Pledged Assets

As at 30 June 2022, 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 30 June 2022, 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: Enhancement of Business Integration

During the period under review, the Group focused on core regions and core business segment, and continued to enhance its presence in the Yangtze River Delta. With the two main formats of standard supermarkets and hypermarkets occupying the regional advantageous network resources, the Group enhanced the franchise business and made steady progress in opening new stores and renewing contracts. In the first half of 2022, the Group opened a total of 203 new stores, including 133 directly-operated stores and 70 new franchised stores. Among which, 172 were located in the Yangtze River Delta and accounted for 84.73% of the new stores. On the other hand, the Group adapted to changes in the market environment, continued to prudently review the stores and improved the overall quality of the physical outlets. As a result, 146 stores were closed.

During the period under review, the hypermarket segment accelerated its strategic transformation. The overall transformation strategy was designed with the aim of "optimizing layout, enhancing experience, diversification, profit growth and staying focused" through "miniaturizing" hypermarkets, thereby developing the new model of boundless retail by integrating merchant solicitation with hypermarkets.

During the period under review, the supermarket segment improved the store building standards to control the costs of building stores. Having completed the Handbook for Building Supermarkets (1.0 Version), the Group developed the Standards for Transformation to 3.0 supermarket with reference to the practices of leading companies, with the emphasis on products and interior decorations but less renovations, and improved the renovation plan in a reasonable manner. In addition, the Group established the budget assessment system for all expenses of 2022 and completed preparation works for the pilot program of energy conservation and emission reduction (cold chain system), so as to control the costs of building stores.

During the period under review, the convenience store segment focused on strengthening infrastructure. The Group relaunched the directly-operated store development project, with vigorous efforts in searching special business premises that meet the characteristics of convenience stores; strengthened the personalized display and increased the candy toys, cultural creativity and China Chic categories with distinctive features to cater to the preferences of young consumers; adopted multiple marketing and referral tactics, closely integrated with communities and focused on sales via referral of sharing groups. The measures above played a significant role in ensuring supplies during the epidemic.

Amid the COVID-19 pandemic, the Group strove to improve the risk resistance capability. The Group optimized the structure of the omni-channel categories, launched the function that integrated B2C model with delivery-to-home goods, strengthened cooperation with third-party platforms, and developed new marketing channels. Meanwhile, the Group improved the group buying operation procedures, diversified the channels of group buying, and expanded the marketing channels of gift vouchers, achieving sales growth.

As at 30 June 2022, the Group had 3,336 stores in total. Approximately 84.95% of the Group's stores were located in Greater East China.

	Hypermarkets	**Supermarkets**	**Convenience Stores**	**Total**
Direct operation	138	773	352	1,263
Franchise operation	–	1,473	600	2,073
Total	138	2,246	952	3,336

Note: Date as at 30 June 2022.

Supply Chain Layout Optimization

During the period under review, the Group continued to optimize its categories. On the one hand, the Group focused on the introduction of new products of high quality and sales performance tracking. The Group implemented a compulsory commodity elimination system to eliminate the worst-performing products and replace poor-selling products, and continued to explore new categories and products, so as to upgrade with the high-quality, healthy and convenient products with attractive appearances. In the Chinese New Year promotion, the proportion of new product sales increased by more than 100%; new products made great contribution to the Group's action of ensuring supplies during the epidemic. On the other hand, the Group accelerated the development of its own brands and increased the share of its own brands in the sales. The essential goods of its own brands made a significant contribution to ensure the supplies during the epidemic, improving the sales of its own brand products.

During the period under review, the Group further advanced the optimization and hierarchical management of suppliers. One of the efforts was to create an optimized supplier layout through performance assessment and compulsory elimination of inefficient suppliers, so as to improve the Group's performance to the greatest extent. The newly introduced suppliers played a positive role in ensuring supplies during the epidemic. Another was to continue to advance the introduction of suppliers of direct supply, automatic control/purchase and the transition from direct delivery to distribution, and to strengthen cooperation with JBP brands and direct supply partners for mutual benefits and win-win outcome.

The Group was committed to improving consolidated income during the period under review. For procurement, to respond to price hike in the market, the Group enhanced the bargaining strength in respect of the purchase prices of products, ensured the purchase protection and negotiated with suppliers about balance settlement; added channels to monitor the subsequent tracking process and comprehensively reviewed the fees previously incurred to ensure all purchased goods were accepted in due course. For sales, the Group adopted multiple marketing tactics to further improve sales performance while ensuring gross profit. Particularly for store sales, measures were taken to improve the gross margin of key categories. During the period under review, the Group recorded year-on-year improvement in both consolidated income and gross margin.

During the period under review, the Group vigorously promoted the marketing and trading plan. The Group set clear marketing schedules, themes, objectives, plans and implementation details, and improved the quality of selection of DM 1-class products. In the meantime, the Group strategically adjusted and reduced the frequency of big promotions and improved the promotion efficiency; attached importance to the product selection and the negotiation for discounts of delivery-to-home business, thereby improving the performance of delivery-to-home business.

During the period under review, the Group continued to optimize fresh produce supply chain, took measures to ensure the fresh produce supply and boosted the development of its own brand fresh produce. The Group formulated the business strategy and the progress plan for the year, established the close cooperation pattern for logistics, operation and procurement as well as the product quality tracking mechanism, and set clear responsibilities on each of relevant personnel. While improving merchandise and supply chain management, the Group did a good job to ensure the supply plan and adjusted relevant measures in due course during the epidemic in Shanghai.

Digital Transformation

During the period under review, the Group continued the system iteration, accelerated the establishment of digital stores nationwide and launched the consultancy project. By developing and improving the launching plans, preparing hardware and providing trainings, the Group helped digital stores of other regions to be in service as soon as possible. The Group's existing digital store system iteration included new modules of "issue reporting and tracking" and "key function"; launched the digital transformation consultancy project to improve the team's perception of digitalization and business management standard by leveraging digitalization and digital intelligence through business research, learning and field observation.

Employment, Training and Development: Organization and Incentive Schemes

As at 30 June 2022, the Group had a total of 29,448 employees, representing an increase of 1,668 employees during the period under review, mainly due to the completion of the merger of Zhejiang Bailian Supermarket Co., Ltd.（浙江百聯超市有限公司）. Total employment expenses amounted to approximately RMB1,194.15 million.

During the period under review, the Group, on the one hand, further promoted the organizational integration of the head office and the segment headquarters, and optimized its staffing and the procedures, so as to continually improve management efficiency and reduce labor costs. On the other hand, the Group promoted performance assessment that covered all employees, improved the performance assessment for management team, and took the results of performance assessment as the basis for annual bonus, promotion or demotion, pay rise and further development.

During the period under review, the Group further adjusted the organizational structure and promoted organizational reform, in line with the organization's strategic development. To improve management efficiency, the Group reviewed the responsibilities of each department, set clear responsibility boundaries for all departments, and controlled the management personnel arrangement.

During the period under review, the Group continued with the standardization of salary and benefits. The annual salary system for rankings above the assistant to department director was fully implemented and the monthly salary system was in progress and will be fully implemented in the third quarter of 2022. Meanwhile, the Group promoted the performance-driven culture, adjusted the incentive mechanism and set the measures of performance assessment incentive scheme for all departments of the headquarters and all business segments. The Group continued to develop the store partnership scheme to stimulate the motivation and initiative of front-line employees.

During the period under review, the Group focused on core businesses to help the front-line talents to develop key capabilities; provided trainings for application of digital store system in line with the progress of digital store project; designed and arranged a series of trainings for management trainees, management candidates with great potential, reserve management, partners and managers of franchised stores, focused on the Eagle Series development programs, so as to empower the building of talent pipeline.

Guarantee of Development and Merchant Solicitation

During the period under review, the overall expansion of sales network of the Group did not meet expectations as it was affected by the COVID-19 pandemic, but the number of stores maintained the net increase. In the second quarter of 2022, the development of sales network in Shanghai was seriously affected by the pandemic, which delayed some of the work for selecting and determining the sites for stores. As the pandemic was gradually contained in June, the sales network development department of the Group stepped up efforts to expand the sales network and strived to achieve the annual goal in this regard.

In the first quarter of 2022, as it optimized the strategic deployment, further developed special channels, promoted strategic cooperation, developed the light asset model and built key projects, the Group helped stores to reduce costs and improve efficiency, and continuously lower the vacancy rate, achieving satisfactory progress in sales network expansion. In the meantime, since 2021, the Group has been gradually optimizing, streamlining and improving work procedures for the merchant soliciting business, some stores of the hypermarket segment have made certain achievements in the transformation of merchant soliciting business through inter-departmental collaboration. In the second quarter of 2022, due to business suspension of stores in the pandemic, tenants suffered great losses and the Group's rent collection was also significantly affected. To retain tenants and ensure rental incomes, the Group discussed with tenants about rental reduction or exemption in accordance with the principle of sharing the pandemic risk and the government's policies on rental reduction or exemption, and offered tenants certain rental reductions or exemptions. Meanwhile, the Group actively discussed with owners of premises about offering certain rental reductions or exemptions to the stores in accordance with the principle of sharing the pandemic risk.

Improvement of Logistics and Commodity Efficiency

During the period under review, as affected by the pandemic in Shanghai, facing the severe challenges of logistics, the Group responded quickly to facilitate efficiency recovery. Facing sudden lockdown management, the party and government team of the logistics company changed their mindset with a sense of crisis to break the ice, taking the lead to stay in the lockdown storage area to inspire the enthusiasm and strength of cadres for mindset changes. In the meanwhile, they carried out organizational reform, organized all available resources, coordinated and allocated social resources, and changed process to meet the demand of all segment stores during the lockdown period to the maximum extent to ensure supplies during the special period. Under the special order mechanism, 50% of staff undertook 100% of the workload and won the tough battle during the special period by overcoming various difficulties.

Improvement of Consumer Experience and Marketing Capability

During the period under review, the Group significantly improved sales performance and enhanced brand reputation. Based on consumer demand, various activities with highlights were carried out by strengthening S-grade marketing and integrating online and offline segments. The year-on-year sales growth rate during the S-grade marketing period was much higher than the annual average growth rate. At the same time, the Group continued to increase brand exposure and reputation through popular social issues, brand revamp and public media.

During the period under review, the Group enhanced the operation of membership system and private domain traffic, and continued to improve membership promotion driven by big data, thereby promoting new membership traffic accumulation and repurchase. The Group planned in advance and aggressively captured resources from third parties. In addition, the Group vigorously developed the management and operation of enterprise WeChat community and integrated group buying and the function of Douhui Group (兜薈團) through enterprise WeChat community to gradually realize centralized management and decentralized operation. The Group promoted the omni-channel community tool, namely Douhui Group (兜薈團), to continuously meet needs from new scenarios by relying on the "flexible and compatible" characteristics of its mini-program.

Comprehensive Budget Management and Cost Control

During the period under review, the Group continued to enhance comprehensive budget management and cost control, upgrade its full-chain cost control system and deepen its analysis and evaluation mechanism. By improving comprehensive budget management system, the Group streamlined processes, standardized approvals, improved information system construction and strengthened line control of budget items. Upon excluding the expenses relating to the epidemic, total expenses across all business segments declined significantly, representing a year-on-year decrease and a decrease in the percentage of cost to budget.

Process Reconstruction and Strong Execution Guarantee

During the period under review, the Group continued to optimize systems and processes, accelerated process building and optimization, and improved operational efficiency by Feishu system. The Group optimized division of duties among departments by streamlining various management systems and operational processes; collated key business processes of the existing systems and the existing Lianhua information system structure to explore and establish a technology-backed system with efficient implementation; collaborated to track and optimize the implementation of the price change process for highly sensitive products by tracking the implementation of operational processes, and sorted out the systems and processes of various departments, so as to improve the management standards of systems and processes.

During the period under review, the Group strengthened safety inspection, enhanced the building of a production safety system and clarified the requirements on production safety, food safety, disinfection and pandemic prevention during resumption of work and production. The Company and subordinate segments regularly deployed a series of special safety work such as special rectification action on production safety, special inspection of hidden risks and food safety trainings. The Group upgraded food safety information traceability and directly-operated supermarkets realized traceability through QR code on the food label. The Group regularly inspected licenses of suppliers and commodities and updated the construction of B2B license system. During the pandemic, to ensure the quality and safety of the supplies, the Group formulated emergency plans and preventive and control measures at both the headquarters and stores to empower the segments to ensure supply.

Strategy and Planning

In the second half of 2022, as the pandemic was brought under control in China, and a package of policies and measures to stabilize the economy took effect, China's economy is expected to maintain its recovery. The consumer market is also expected to continue to develop towards a positive direction.

With the changes in consumer demand and behaviors brought by the pandemic, the momentum of China's consumption pattern upgrade continues to grow, the retail industry tends to develop into a more efficient retail model and new consumption highlights will continue to emerge under the clear trend of consumption upgrade towards digitalization, high quality and personalization. Generation Z has become the mainstay of consumption, and the consumption potential of the silver haired generation is yet to be developed; the overseas consumption is shifting to the domestic market, and online and offline consumption have been deeply integrated; brick-and-mortar retail stores have become part of the urban infrastructure. The Group, as part of China's brick-and-mortar retail industry, will seize the opportunity amid the K-shaped recovery in the post-pandemic retail market to increase its proportion of online consumption while enhancing the offline shopping experience; step up efforts to the operation of communities, online communities and groups, and promote the layout and construction of a 15-minute convenient living circle; ensure commodity supplies for people's livelihood and health; and highlight self-satisfying consumption, bringing consumers products with better quality, better experiences and more unique values, so as to strive for high quality development.

Therefore, in the second half of 2022, the Group will continue to follow its vision of "based in the Yangtze River Delta, leveraging advantageous network resources in regions which are dominated by the two principal segments of supermarket and hypermarket to integrate national and regional complementary supply chain system, and thus to develop a whole-area sales network integrating online and offline sales and regain the leading position", adhere to the focus of annual work on "segment integration and improvement, supply chain layout optimization, digital transformation, and organization and incentive scheme", and capitalize on five supporting systems, namely, "guarantee of development and merchant solicitation", "improvement of logistics and commodity efficiency", "improvement of consumer experience and marketing capability", "comprehensive budget management and cost control", and "process reconstruction and strong execution guarantee", so as to achieve more progress and breakthroughs when pursuing sustainable development in the consumer goods retail industry.

SUBSEQUENT EVENTS

From 1 July 2022 to the date of the announcement of interim results, there was no non-financial event that may cause material effects on the results of the Company.

INTERIM DIVIDEND

The board of Directors of the Company (the "**Board**") does not recommend the payment of interim dividend for the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has considered and reviewed the accounting principles and practices adopted by the Group, has discussed the matters in relation to internal control and financial reporting with the management, and has reviewed the unaudited condensed interim accounts for the six months ended 30 June 2022 of the Group. The Audit Committee has no disagreement with the accounting principles and practices adopted by the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS IN APPENDIX 10 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE ("LISTING RULES")

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE IN APPENDIX 14 OF THE LISTING RULES

The Board is pleased to confirm that except for the matters as set out below, the Company has complied with all the code provisions in the "Corporate Governance Code" (the "**Code**") in 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 in compliance with the Code. Details of the deviations are set out as follows:

Provision B.2.2 of the Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Articles of Association provide that each Director shall be appointed at the general meeting of the Company and for a term of not more than 3 years, and is 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 contain no express provision for the mechanism of Directors' retirement by rotation, thus deviating from the aforementioned provision of the Code.

For Provision C.1.6 of the Code in respect of the non-executive Directors' regular attendance and active participation in Board meetings and general meetings:

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

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

Ms. Zhang Shen-yu, a non-executive Director, was unable to attend the tenth meeting of the seventh session of the Board convened on 16 June 2022 by the Company due to her other work duties.

Ms. Zhang Shen-yu, a non-executive Director, was unable to attend the eleventh meeting of the seventh session of the Board convened on 30 August 2022 by the Company due to her other work duties.

After receiving the relevant materials for the Board meeting, they have authorized other Directors of the Company to attend the meetings and vote on their behalf. The relevant matters were considered at the Board meeting and all the resolutions were passed smoothly. The Company had sent the related minutes to all Directors of the Board after the Board meeting so any Director who was unable to attend the meeting was able to understand the resolutions passed at the meeting.

In addition, Ms. Zhang Shen-yu, a non-executive Director, was unable to attend the 2021 annual general meeting of the Company ("**Annual General Meeting**") convened on 16 June 2022 due to her other work duties. The Company has provided the relevant materials relating to the Annual General Meeting to all Directors of the Board before the meeting. All ordinary resolutions were passed smoothly at the Annual General Meeting. The Company had sent the related minutes to all Directors of the Board after the Annual General Meeting so any Director who was unable to attend the meeting was able to understand the resolutions passed at the meeting.

By order of the Board
Lianhua Supermarket Holdings Co., Ltd.
Pu Shao-hua
Chairman

Shanghai, PRC, 30 August 2022

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

Executive Director:	Chong Xiao-bing;
Non-executive Directors:	Pu Shao-hua, Shi Xiao-long, Xu Pan-hua, Zhang Shen-yu, Dong Xiao-chun and Wong Tak Hung;
Independent non-executive Directors:	Xia Da-wei, Lee Kwok Ming, Don, Chen Wei and Zhao Xin-sheng.