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

2024 INTERIM REPORT

Stock Code 0980

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Corporate Information

Directors

Executive Directors

Mr. Chong Xiao-bing
Ms. Zhang Hui-qin *(Vice Chairman)*

Non-Executive Directors

Mr. Pu Shao-hua *(Chairman)*
Mr. Shi Xiao-long (Resigned on 7 February 2024)
Ms. Hu Xiao
Ms. Zhang Shen-yu
Mr. Dong Xiao-chun (Resigned on 24 May 2024)
Ms. Yang Qin
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
Mr. Dong Xiao-chun (Resigned on 24 May 2024)
Ms. Yang Qin

Remuneration and Appraisal Committee

Mr. Xia Da-wei *(Chairman)*
Mr. Shi Xiao-long (Resigned on 7 February 2024)
Ms. Zhang Hui-qin
Mr. Chen Wei
Mr. Zhao Xin-sheng

Strategic Committee

Mr. Pu Shao-hua *(Chairman)*
Mr. Shi Xiao-long (Resigned on 7 February 2024)
Ms. Zhang Hui-qin
Ms. Hu Xiao
Mr. Chong Xiao-bing
Ms. Zhang Shen-yu

Nomination Committee

Mr. Pu Shao-hua *(Chairman)*
Mr. Chen Wei
Mr. Xia Da-wei
Mr. Zhao Xin-sheng

Environmental, Social and Governance (ESG) Committee

Mr. Chong Xiao-bing *(Chairman)*
Ms. Zhang Shen-yu
Mr. Lee Kwok Ming, Don
Mr. Chen Wei

Supervisors

Mr. Li Feng *(Chairman)*
Ms. Tang Hao
Mr. Luo Yang-hong

Company Secretary

Ms. Xu Xiao-yi

Authorized Representatives

Mr. Chong Xiao-bing
Ms. Xu Xiao-yi

International Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Legal Advisors to the Company

As to Hong Kong laws

Baker & McKenzie

As to People's Republic of China ("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 Offices

Registered Office in the PRC

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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
("Stock Exchange" or "SEHK")

Listing Date

27 June 2003

SEHK Stock Code

980

Number of H Shares Issued

372,600,000 H shares

Financial Year-end Date

31 December

Management Discussion and Analysis

Operating Environment

In the first half of 2024, the global economic situation was complex and volatile. Although there were signs of recovery, growth momentum was still weak and faced multiple challenges. Global economic growth was, to a notable extent, adversely affected by a combination of factors, including the persistence of a high interest rate environment, the increased burden of huge debts, the escalation of geopolitical conflicts, and the weak international trade environment. In contrast, China's economy demonstrated greater resilience and stability, with overall economic performance remaining stable, development of new growth engines accelerating, demands continuing to recover, employment and prices remaining generally stable, and incomes of residents continuing to rise. According to the National Bureau of Statistics of the PRC, in the first half of 2024, China's Consumer Price Index (CPI) showed an overall stable trend, with a year-on-year increase of 0.1%, among which food prices decreased by 2.7% year on year and service prices increased by 0.9% year on year. Among the components of food prices, the price of pork remained flat year on year, while the prices of fresh fruits, fresh vegetables, beef and mutton, eggs and poultry decreased between 2.0% and 9.9% year on year, and only the prices of aquatic products and foodstuffs increased by 0.6% and 0.5% year on year, respectively.

In the first half of 2024, China's total retail sales of consumer goods increased by 3.7% year on year, of which restaurant revenue grew significantly by 7.9%, while retail sales of goods lagged behind with a year-on-year growth of merely 3.2%. Analysis indicates that the uncertainties in the global and domestic economies have affected consumer expectations to a certain extent. Consumer spending tendency has revealed signs of prudence and rationality beneath the overall growth trend, and the desire of consumers to save money remains evident. Consumer behaviours have shown a rational characteristic of "always budgeting for expenses while pursuing quality", which has made cost-effective consumption the mainstream of domestic consumption.

From the perspective of the structure of the consumer goods industry, we saw a stable performance in the essential consumer goods, such as cereals, oils and foodstuffs, beverages, tobacco and alcohol, which recorded a better year-on-year growth than the discretionary consumer goods, such as automobiles and household appliances, as residents were more inclined to satisfy their basic living needs in their consumption. Online consumption continued to maintain strong growth momentum, with online retail sales of physical goods up 8.8% year on year, among which goods for eating and for use grew by 17.8% and 7.8% respectively, to a certain extent replacing the retail share of the offline market. The overall recovery of offline retail was significantly weaker than that of online channels, and still needs to be further supported by internal and external conditions in order to make visible progress.

Financial Review

Revenue

During the period under review, the Group's revenue was approximately RMB10,897 million, representing a year-on-year decrease of approximately RMB875 million, or approximately 7.4%. The decrease was primarily attributable to the contraction of overall sales resulting from the Company's persistent strategic adjustment, taking a proactive approach to close certain loss-making outlets. In addition, the customer orders declined, and the overall sales remained relatively weak due to more rational and cautious spending and the reduction of stockpiling, which indicated that the offline shopping habit and consumer confidence were still in slow recovery.

Gross Profit

During the period under review, the Group's gross profit was approximately RMB1,252 million, representing a year-on-year decrease of approximately RMB235 million, or approximately 15.8%. During the period under review, the overall gross profit margin of the Group was approximately 11.49%, representing a decrease of approximately 1.14 percentage points as compared with the gross profit margin of 12.63% for the corresponding period of last year. The decrease was primarily attributable to the Group's stronger marketing efforts amid the intensified competition in the supermarket retail industry, to enhance the attractiveness of the brand and the brick-and-mortar outlets by lower prices. During the period under review, the Group adjusted the structure of business sectors in response to industry development trends and closed several hypermarkets, which resulted in lower contribution of the high-profit hypermarket segment to the total revenue.

Other Revenue

During the period under review, the Group's other revenue was approximately RMB902 million, representing a year-on-year decrease of approximately RMB138 million, or approximately 13.3%. Due to the decline in revenue, related income from suppliers decreased by approximately RMB127 million compared with the same 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 RMB283 million, representing a year-on-year increase of approximately RMB26 million, or approximately 10.1%. During the period under review, net gain on termination of right-of-use assets and lease liabilities increased by approximately RMB27 million compared with the same period of last year.

Distribution and Selling Expenses

During the period under review, the Group's distribution and selling expenses amounted to RMB1,973 million, representing a year-on-year decrease of approximately RMB208 million, or approximately 9.5%. The Group continued to refine the comprehensive budget management and standardised control measures over the entire process of expenses in all business segments, and strengthened its line control efforts, resulting in a continuous decline in operation expenses. Distribution and selling expenses accounted for approximately 18.11% of revenue, representing a year-on-year decrease of approximately 0.42 percentage point.

Administrative Expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB324 million, representing a year-on-year decrease of approximately RMB74 million, or approximately 18.5%. Administrative expenses accounted for approximately 2.97% of revenue, representing a year-on-year decrease of approximately 0.40 percentage point.

Other Expenses

During the period under review, the Group's other expenses amounted to approximately RMB16 million, representing a year-on-year increase of approximately RMB14 million, which was mainly due to the increase in losses caused by closedown of certain outlets.

Share of Results of Associates

During the period under review, the Group's share of profits of associates amounted to approximately RMB3 million, indicating a year-on-year contraction of losses of approximately RMB79 million. Shanghai Carhua Supermarket Co., Ltd. ("Shanghai Carhua"), an associate of the Group, recorded losses in the corresponding period of last year, and the Group recognised its share of losses of Shanghai Carhua under the equity method in profit or loss for the corresponding period of last year, being approximately RMB79 million.

Profit before Tax

During the period under review, the Group's profit before tax amounted to approximately RMB18 million, indicating a year-on-year expansion of profit of approximately RMB8 million.

Income Tax Expense

During the period under review, the Group's income tax expense was approximately RMB45 million, representing a year-on-year decrease of approximately RMB35 million.

Loss Attributable to Owners of the Company

During the period under review, the Group's loss attributable to owners of the Company amounted to approximately RMB55 million, indicating a year-on-year loss contraction of approximately RMB62 million. During the period under review, the net loss rate was approximately 0.50%, representing a year-on-year loss contraction of 0.49 percentage point. Based on the 1,119.6 million shares issued by the Group, the basic loss per share was approximately RMB0.05.

Liquidity and Financial Resources

As at 30 June 2024, the Group's cash and balance at the bank amounted to approximately RMB7,392 million. During the period under review, the net decrease of the Group's cash and balance at the bank amounted to approximately RMB264 million.

For the year ended 30 June 2024, the trade payable turnover period of the Group was approximately 59 days, and the inventory turnover period was approximately 43 days.

During the period under review, the Group did not use any financial instrument for hedging purposes. As at 30 June 2024, there were no arbitrage financial instruments in issue by the Group.

Gearing Ratio

As at 30 June 2024, the gearing ratio of the Group (the gearing ratio is calculated by dividing total interest-bearing liabilities by total equity) was 0.0% (31 December 2023: 0.0%).

Growth of Each Retail Business

Hypermarkets

During the period under review, the revenue of the hypermarket segment amounted to approximately RMB4,724 million, representing a year-on-year decrease of approximately RMB527 million, or 10.0%, and accounting for approximately 43.4% of the Group's revenue. During the period under review, the Company's hypermarket segment anchored the "small-scale and community-based" transformation strategy, and certain outlets closed due to the expiration of the leases, resulting in a year-on-year decrease in revenue.

During the period under review, the hypermarket segment recorded a gross profit of approximately RMB598 million, representing a year-on-year decrease of approximately RMB135 million. Gross profit margin decreased by 1.30 percentage points year on year to 12.66%. Competition in the supermarket retail industry has been intensifying and the Company has continued to increase its marketing and promotional efforts led to a decrease in gross profit. During the period under review, the hypermarket segment recorded a consolidated income* of approximately RMB1,277 million, representing a year-on-year decrease of approximately RMB246 million, and the consolidated income margin decreased by 1.97 percentage points year on year.

* Consolidated income represented total of gross profit, other revenue, other income and other gains and losses.

During the period under review, the aggregate of distribution and selling expenses and administrative expenses of the hypermarket segment amounted to approximately RMB1,109 million, representing a year-on-year decrease of approximately RMB210 million. The rationalization of certain loss-making outlets and the standardized of the entire process helped to effectively reduce operating expenses. The hypermarket segment recorded an operating profit of approximately RMB94 million, representing a year-on-year decrease in profit of approximately RMB28 million. Operating profit margin decreased by 0.34 percentage point year on year to 1.99%.

	As at 30 June	
	2024	2023
Gross Profit Margin (%)	**12.66**	13.96
Consolidated Income Margin (%)	**27.03**	29.00
Operating Profit Margin (%)	**1.99**	2.33

Supermarkets

During the period under review, the supermarket segment recorded a revenue of approximately RMB5,372 million, representing a decrease of approximately RMB278 million or approximately 4.9% year on year, and accounting for approximately 49.3% of the Group's revenue. During the period under review, the supermarket segment targeted fresh produce supermarkets in selected communities, and strived to increase customer loyalty by focusing on community services and enriching marketing activities in line with consumer needs.

During the period under review, the supermarket segment recorded a gross profit of approximately RMB560 million, representing a year-on-year decrease of approximately RMB99 million or 15.1%. During the period under review, the efforts made in marketing and promotion activities were increased in the supermarket segment, and the gross profit margin decreased by 1.24 percentage points year on year to 10.42%. During the period under review, the supermarket segment recorded a consolidated income of approximately RMB1,027 million, representing a decrease of approximately RMB82 million year on year. The consolidated income margin decreased by 0.52 percentage point year on year.

During the period under review, the supermarket segment recorded an operating profit of approximately RMB30 million, representing a decrease of approximately RMB35 million year on year. The operating profit margin decreased by 0.60 percentage point to 0.55%.

	As at 30 June	
	2024	2023
Gross Profit Margin (%)	**10.42**	11.66
Consolidated Income Margin (%)	**19.11**	19.63
Operating Profit Margin (%)	**0.55**	1.15

Convenience stores

During the period under review, the convenience store segment recorded a revenue of approximately RMB765 million, representing a decrease of approximately RMB58 million or approximately 7.1% year on year, and accounting for approximately 7.0% of the Group's revenue. The closure of certain outlets due to the expiration of the leases resulted in a year-on-year decrease in revenue.

During the period under review, the convenience store segment recorded a gross profit of approximately RMB82 million, representing a decrease of approximately RMB3 million. The gross profit margin increased by 0.40 percentage point to 10.66%. The convenience store segment recorded a consolidated income of approximately RMB105 million, representing a year-on-year decrease of approximately RMB15 million, and the consolidated income margin decreased by 0.88 percentage point year on year to 13.71%.

During the period under review, the operating loss of the convenience store segment was approximately RMB18 million, representing a year-on-year increase in losses of approximately RMB13 million from the same period of last year, and the operating loss margin increased by 1.76 percentage points to -2.41%.

	As at 30 June	
	2024	2023
Gross Profit Margin (%)	**10.66**	10.26
Consolidated Income Margin (%)	**13.71**	14.59
Operating Loss Margin (%)	**(2.41)**	(0.65)

Capital Structure

As at 30 June 2024, 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 Company decreased from approximately RMB72 million to approximately RMB17 million, which was primarily due to the loss attributable to owners of the Company of approximately RMB55 million recorded in the period.

Details of the Group's Pledged Assets

As at 30 June 2024, 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 2024, 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

Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities.

Driving Forces of Transformation and "Quality" Improvement

During the period under review, the Group focused on core areas and, with transformation and quality improvement as the driving forces, accelerated the pace of transformation and upgrading of its three major business segments: the hypermarket segment gradually transformed into a small-scale and community-based business model; the supermarket segment adopted a more refined mode of operation; the convenience store segment continued to maintain a stable scale of operation, with its franchise business developing in the direction of intensification. In the first half of 2024, the Group, on the one hand, made steady progress in opening new stores. Specifically, we opened a total of 123 new stores, including 41 directly-operated stores and 82 new franchised stores. A total of 79 of the new stores were located in the Yangtze River Delta region, accounting for 64% of the new stores. On the other hand, the Group adapted to changes in the market environment, and improved the quality of the physical outlets as a whole through systematic store streamlining. As a result, 136 stores were closed, of which 45 were directly-operated stores and 91 were franchised stores.

During the period under review, the hypermarket segment of the Group anchored on the "small-scale and community-based" transformation strategy, and advanced the upgrading of its overall categories, the refinement of core products and the enhancement of shopping experience around the optimisation of fresh and ambient commodities, with the aim of providing a better quality and more convenient shopping experience to consumers. In regard to the "small-scale" strategy, the Group has endeavoured to build small and exquisite supermarkets with a full range of products and a sense of daily life; and as for the "community-based" strategy, the Group has focused on the development of community neighbourhood stores, which provide community ancillary services and services for the elderly to meet the needs of residents in their daily life.

During the period under review, the supermarket segment of the Group focused on the implementation of the refined operation strategy. Based on the foundation of basic goods related to people's livelihoods, the segment improved the functions of the community-based fresh produce category and focused on the promotion of proprietary seasonal fresh produce to increase sales. On the one hand, we have vigorously carried out thematic and scenario-based marketing, which integrates the needs of consumers with the shopping scenarios, in order to introduce and convey the concept of quality life. On the other hand, we have creatively established the first curatorial shop of the supermarket segment, which not only incorporates cutting-edge culture and brand hotspots, but also meets the basic catering needs of community residents with selected offerings, so as to create a "circle of happiness" for a better life.

During the period under review, the franchise business of the Group focused on the development strategy of intensification by concentrating resources and accelerating the expansion of shops, and continued to push forward the iterative upgrading of the closely-franchised model. In respect of the expansion of the outlet network: we actively explored and cultivated potential franchise partners in the outlying districts of Shanghai to fill the market gaps, and increased our placement efforts at the provincial and municipal levels; while in Shanghai, we iterated the closely-franchised model by actively exploring the profitability model of "Supermarket + Lianhua Stores", and attracted more franchisees to join Lianhua for common development through the "Franchisee Talks" programme.

During the period under review, the Group continued its exploration and innovation efforts. We took the initiative in stepping up the placement of outlets in order to fill up vacant areas, while actively restructuring and innovating the existing business segments. As at 30 June 2024, the Group had a total of 3,343 stores, with approximately 84% of them located in Eastern China.

	Hypermarkets	Supermarkets	Convenience Stores	Total
Direct operation	121	837	328	1,286
Franchise operation	–	1,563	494	2,057
Total	121	2,400	822	3,343

Note: Data as at 30 June 2024.

Enhanced Product "Profitability"

During the period under review, the Group placed significant emphasis on developing cornerstone products, accelerating supply chain integration, and enhancing the self-operating capability in fresh produce. Specific measures included the establishment of a joint procurement trading plan between Shanghai and Zhejiang, the creation of value-for-money and cost-effective "joint procurement of 100 proprietary products"; the launch of a top 100 bestselling proprietary products project, the introduction of 100 exclusive products at low prices for promotion throughout the year to bolster the market competitiveness of our proprietary brand; and the implementation of a Joint Business Planning (JBP) mechanism for reasonable inventory distribution and regional coordination, aimed at improving economies of scale and reducing procurement costs. Additionally, we focused on "direct sourcing", "self-operated chilled meat", and "core fresh categories", further strengthening our self-operating capability in fresh produce and increasing foot traffic to our stores.

Positioning for "Value-Added" Services

During the period under review, the Group keenly recognised the immense potential of the healthcare and elderly care market and proactively initiated the strategic layout for the "silver economy." We are dedicated to establishing the "Touch-Care" service brand, embedding the service philosophy of "A Good Life in the Community, Lianhua Cares" into every aspect of our daily operations and development. By integrating key supplier resources and selecting value-for-money products, we aim to create an integrated, one-stop service scenario for the community and our stores to offer comprehensive elderly care services. This allows elderly consumers to enjoy convenience of shopping while experiencing more thoughtful and comfortable services, enabling them to better share in the benefits of social development and enjoy fulfilling and happy declining years.

Boosted Marketing "Effectiveness"

During the period under review, the Group closely aligned its marketing efforts with themes such as the Chinese New Year (CNY), the "May 5th Shopping Carnival" (五五購物節), and our 33rd anniversary. We adopted a strategy that combines targeted and broad approaches to build and continuously optimise our marketing system to meet consumer demands. By iterating our marketing model, we successfully launched a membership campaign titled "Few Points for Big Discounts", fostering brand loyalty among consumers and enhancing brand influence. We created special columns focusing on seasonal knowledge, festive themes, and trending topics to promote seasonal fresh produce, popular ambient products, and our proprietary brand, effectively attracting consumers. Through collaboration with external partners, we enhanced our community membership operations, expanded brand reach, and increased the value and output in private sector. Furthermore, we established a marketing matrix for online sales, increasing sales and traffic through multi-platform live events, achieving comprehensive coverage of "Lianhua Selected" products.

Logistics "Rates" Reduction and Efficiency Improvement

During the period under review, the Group further optimised logistics processes to enhance efficiency, aiming to effectively reduce operation costs and improve profitability. We streamlined the business processes of warehouse operations, optimised information configurations, and reduced intermediary steps to achieve efficiency improvement and cost reductions. We developed standard operating procedures (SOPs) for the entire supply chain, from goods entering the warehouse to acceptance at terminal stores, to minimise losses of cold chain products during transportation and storage, thereby effectively improving efficiency for cold chain logistics. Meanwhile, we leveraged digital technologies to precisely optimise supply chain management, enhancing flexibility and responsiveness, while implementing energy-saving and emission-reduction measures to lower energy consumption and further reduce operation costs.

"Digital" Transformation and Innovation

During the period under review, the Group launched a comprehensive digitalisation project aimed at creating a digital system tailored to our characteristics, focused on enhancing both online and offline consumer experiences, and supported by the "iBailian" platform. This system will primarily be applied in our front-end stores. To date, four major digital projects, namely product digitisation, internal supply chain optimisation, business and financial integration, and logistics system integration, have completed initial pilot and were put into operation. As business regulations become increasingly robust, logistics costs are expected to decrease further, and operation efficiency will be effectively enhanced.

Organizational Enhancement (Employment, Training and Development)

As at 30 June 2024, the Group had a total of 23,415 employees. The total labor costs amounted to approximately RMB974,990 thousand.

During the period under review, the Group further consolidated and streamlined its organizational structure with a view to enhancing operational efficiency and optimizing labor costs. At the head office level, we reduced costs by sorting out the boundaries of responsibilities and continuously optimizing the staff establishment to reduce inefficiencies and redundancies. At the store level, we continued to promote the optimization of the employment model and continuously increased the percentage of flexible workers to achieve the objectives of improving manpower efficiency and lowering the labor rates in retail end stores.

During the period under review, the Group introduced more, newer and more targeted incentives and assessment means in the frontline stores while further enhancing the contract-based management for core teams and core positions. We deepened the implementation of the multi-modal iterative operation of the partnership mechanism and further expanded the scope of the partnership to strengthen our ability to open up new sources of income and cut down on expenses. we also tried out a new management mode known as store consignment, which will help us improve the operating performance of store through the separation of ownership and operation rights. We also optimized the compensation assessment and incentive system for our staff in store, aiming to enhance the income of our frontline staff.

During the period under review, the Group increased its investment in talent acquisition and cultivation and carried out coordinated planning at the strategic level. By establishing and promoting a platform for the exchange and sharing of talent recruitment information, we gradually achieved a balanced allocation of surplus human resources to meet the shortfall among its subordinate enterprises. The Group insisted on the recruitment of a large number of management trainees for stores and headquarters, which has laid a solid foundation for the back-up of core positions at our headquarters and frontline stores. Through the establishment of the whole-chain mechanism with a full range of assessment and selection of young talents, in-depth training and experience, post rotation, as well as the preferential appointment, we prepared sufficient talents for the long-term development of the Group.

Strategy and Planning

In the second half of 2024, China's economic policy will continue to place a strong emphasis on the expansion of domestic demand and the boost of consumption, and will adopt more proactive corresponding strategies and measures to improve the long-term mechanism for expanding consumption, increase the income of residents and promote service consumption as the focus of consumption expansion and upgrade, with a view to promoting stable economic growth through boosting domestic consumption. This is an important and positive signal for the retail industry, signifying that the industry is expected to embrace new development opportunities. The Group will proactively respond to the policy orientation, seize the opportunity and leverage on the issuance of domestic shares to Bailian Group to inject strong capital impetus for the transformation of the Company's business ecosystem and day-to-day operations, so as to capitalize on the new industry opportunities and explore new growth points with innovative business strategies and excellent service quality, thereby significantly enhancing the Company's profitability potential and market competitiveness.

In the second half of 2024, the Group will further deepen its overall business reform, focus on the enhancement of its core competencies, and minimize its financial cost burden in order to promote the development and transformation of its business models through changes and innovations at the business level, and to build a sustainable development landscape with stable growth by strengthening its construction of organization and digitalization capabilities. Regarding the specific measures, the Group will focus on deepening the expansion of its business segments and pipelines, optimizing its supply chain and commodities as well as improving its omni-channel operation, so as to enhance its revenue-generating capacity on all fronts. At the same time, the Group will also improve the efficiency of logistics and delivery, promote the construction of digital systems and accelerate the training of organizational talents, with an aim to enhance the overall operational performance and promote the smooth implementation of the turnaround reform.

In the second half of 2024, the Group will focus on the development of its business segments and pipelines to accelerate the stereotypical process of the transformation of its business segments. The Group will strengthen the construction of the supply chain with the implementation of the "Double-Hundred" project, and create a low-price mindset as the starting point to enhance the market competitiveness and the brand image in the minds of consumers. The Group will realize the multi-channel traffic diversion and create popular talking points with the establishment of an online platform matrix and the creation of offline marketing trends as the breakthrough point. And the Group will continue to push forward the adjustment and construction of the organizational systems to make business decisions fully decentralized by vigorously promoting organizational reforms so as to form an organizational structure of distinct functions, with the headquarters focusing on the strategy and the segments concentrating on the business.

In the second half of 2024, against the background of rapid changes in consumer demand and uncertainties in the market environment, the Group will closely focus on the core requirements of the reform and transformation strategy to stimulate the creativity and potential of its employees with the development concept of self-driven agility, and positively respond to the backdrop of this era full of challenges and opportunities, drawing up a new blueprint for high-quality development with the spirit of completely reinventing the steering wheel.

Other Information

Disclosure of Interests

Directors, Supervisors and Chief Executive of the Company

As at 30 June 2024, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of 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 any interests and short positions which they are regarded or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or 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") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Substantial Shareholders of the Company

So far as the Directors are aware, as at 30 June 2024, the following persons (not being a Director, chief executive 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
Bailian Group Co., Ltd. (Note 1)	domestic shares	289,661,400	25.87%	38.78%	–	Beneficial owner
	domestic shares	224,208,000	20.03%	30.01%	–	Interest of corporation controlled
Shanghai Bailian Group Co., Limited (Note 1)	domestic shares	224,208,000	20.03%	30.01%	–	Beneficial owner
	domestic shares	254,160,000	22.70%	34.02%	–	Other
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
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%(L)	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 30 June 2024, 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 30 June 2024, 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. On 17 April 2015, Bailian Group and Shanghai Bailian entered into the equity entrustment agreement (《百聯集團有限公司與上海百聯集團股份有限公司之託管協議》) ("Equity Entrustment Agreement"), pursuant to which, Shanghai Bailian will manage the 254,160,000 shares held by Bailian Group, as well as the statutory interest (excluding cash) of the aforementioned shares during the term of the Equity Entrustment Agreement due to ex rights events such as bonus share distribution and capital reserve conversion to share capital, and the shares allocated to Bailian Group during the entrustment period, and exercise shareholder rights other than asset income rights and disposal rights of the entrusted shares.

   As at 30 June 2024, (i) Mr. Pu Shao-hua, the Chairman and a non-executive Director of the Company, was a director, the president and deputy secretary of the Party Committee of Bailian Group; (ii) Ms. Zhang Hui-qing, the Vice Chairman and an executive director of the Company, was the chairman of Hangzhou Lianhua Huashang Group Co.,Ltd.* (杭州聯華華商集團有限公司, "Lianhua Huashang"); (iii) Mr. Chong Xiao-bing, the general manager and an executive director of the Company, was the chairman of Hualian Group GMS Shopping central Co., Ltd.* (華聯集團吉買盛購物中心有限公司) and a director of Bailian Financial Service Co.,Ltd.* (百聯金融服務有限公司); (iv) Ms. Zhang Shen-yu, a non-executive Director of the Company, was the chairman of the board of directors of Shanghai Bailian; (v) Ms. Yang Qin, a non-executive Director of the Company, was a director, the chief financial officer and secretary of the board of directors of Shanghai Bailian; (vi) Mr. Li Feng, a supervisor and the chairman of the supervisory committee of the Company, was the senior director of the audit and risk control center of Bailian Group, a supervisor of Shanghai Bailian and the chairman of the supervisory committee of Shanghai First Pharmaceutical Co., Ltd. (上海第一醫藥股份有限公司); and (vii) Mr. Luo Yang-hong, a supervisor of the Company, was the deputy general manager of finance of Shanghai Bailian.

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 Holding 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 Shareholders 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 30 June 2024 by holders of H shares has been adjusted accordingly, if necessary.

5. According to the share subscription agreement entered into between the Company and Bailian Group on 12 May 2024, the Company has conditionally agreed to issue not more than 360,000,000 new domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new domestic Shares in cash at a subscription price of RMB1.00 per new domestic Share. These Shares will be managed by Shanghai Bailian in accordance with the Equity Entrustment Agreement. For details, please refer to the announcement of the Company dated 12 May 2024 and the circular of the Company dated 31 July 2024.

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 30 June 2024.

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"). 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. 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 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.

According to the requirements under the Articles of Association of the Company (the "Articles of Association"), in general, disputes among the Shareholders 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 and disputes between holders of Unlisted Foreign Shares and holders of Domestic 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) documents regarding the conversion of Unlisted Foreign Shares having been filed with the CSRC by the Company;

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

(d) approval granted by the Shareholders of the Company at a general meeting for the conversion of Unlisted Foreign Shares into new H Shares in accordance with the Articles of Association; and

(e) 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.

Material Investments and Acquisitions

On 23 April 2021, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement with Shanghai Securities Co.,Ltd. (上海證券有限責任公司, "Shanghai Securities"), pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, for a term commencing from 23 April 2021 to 31 December 2023 (both days inclusive). Pursuant to the terms of the Investment and Wealth Management Cooperation Framework Agreement, Lianhua Huashang entered into the Single Asset Management Contract dated 8 July 2021 with Shanghai Securities and the Custodian Bank in relation to the setting up of the Scheme and the investment and management of Entrusted Assets by Shanghai Securities for the benefit of Lianhua Huashang.

As the Single Asset Management Contract is expiring on 31 December 2023, Lianhua Huashang entered into the Supplemental Agreement with Shanghai Securities and the Custodian Bank on 27 September 2023, to renew the Single Asset Management Contract in relation to the provision of the asset management and investment services for the Entrusted Assets by Shanghai Securities and the Custodian Bank and make certain amendments to the Single Asset Management Contract, for an extended term of 3 years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), pursuant to which, Shanghai Securities will invest and manage the Entrusted Assets that entrusted to it by Lianhua Huashang, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines provided under the Single Asset Management Contract (as supplemented and revised). As at 15 September 2023, the balance of net assets of the Scheme in the escrow account maintained by the Custodian Bank was RMB698.6236 million. Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, which has been paid in full by no later than 29 February 2024.

As at 30 June 2024, the fair value of the Group's investment in the above-mentioned asset management was approximately RMB1,155,502,000, accounting for more than 5% of the Group's total assets, reaching 5.8%. Amongst which, as at 30 June 2024, the Group's investment cost was approximately RMB1.092 million, and the unrealized profit or loss was approximately RMB63,502,000. In addition, there was no realized profit or loss and no dividend was received from it. The Group has achieved good returns through the Single Asset Management Contract (as supplemented and revised), and has established a good cooperative relationship with Shanghai Securities in this process. The Group will continue to entrust Shanghai Securities to manage the Entrusted Assets for the Group without affecting its daily operating liquidity and obtaining authorization from the shareholders' meeting.

Save as disclosed in this report, as at 30 June 2024, the Group has no significant investment and has no plans for major investment or acquisition of assets.

Material Acquisitions and Sales of Assets

During the six month ended 30 June 2024, the Group did not have any material acquisition or sale of subsidiaries, associated companies or joint ventures.

Future Plans for Material Investments or Capital Assets

There were no plans for material investments or capital assets as at 30 June 2024. However, in view of the challenging future environment, the Group will continue to look for new business opportunities to supplement and upgrade its existing business. The Company will comply with the relevant requirements of the Listing Rules and make announcements in due course.

Subsequent Events

From 1 July 2024 to the date of the interim report, there was no subsequent event that may cause material effects on the results of the Company.

Other Information

On 11 May 2024, the Company held the fifth meeting of the eighth session of the board of Directors of the Company (the "Board"), and reviewed and approved the relevant resolution on the issuance of domestic shares. On 12 May 2024, the Company entered into the Share Subscription Agreement with Bailian Group, pursuant to which, the Company has conditionally agreed to issue no more than 360,000,000 new domestic shares, and Bailian Group has conditionally agreed to subscribe for 360,000,000 new domestic shares in cash at the subscription price of RMB1.00 per new domestic shares, and these shares will be entrusted to Shanghai Bailian for management according to the Equity Entrustment Agreement. The Company intends to apply the net proceeds from the Domestic Share Subscription, after deduction of relevant costs and expenses, for the following purposes: (a) approximately 85% of which will be used for the business ecological transformation, which primarily comprises: (i) approximately 39.2% and 35% will be used for the conversion of supermarket and hypermarket outlets, respectively, including but not limited to upgrading product categories, vigorously developing key categories and proprietary brand; tailoring store layout to local conditions, developing boutique supermarkets and community shopping centres among other innovative formats; advancing store integration and increasing the density of stores outlet deployment in strategic areas; enhancing supply chain management and increasing the proportion of direct procurement; (ii) approximately 10.8% will be used for driving digital transformation; upgrading digital systems for merchandising, procurement, logistics, finance, internal supply chains, and digital store systems, thus improving the Group's standardization and management efficiency; and (b) approximately 15% of which will be used to enhance general working capital of the Group. For details, please refer to the announcement of the Company dated 12 May 2024 and the circular of the Company dated 31 July 2024.

On 27 August 2024, the above-mentioned issuance of domestic shares related matter were considered and approved by the extraordinary general meeting of shareholders of the Company. For details, please refer to the announcement of the Company dated 27 August 2024.

Interim Dividend

The Board does not recommend the distribution of interim dividend for the six months ended 30 June 2024.

Purchase, Sale or Redemption of Shares

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities (including sale of treasury shares (as defined under the Listing Rules)) of the Company. As at 30 June 2024, there were no treasury shares held by 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 and has discussed 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 2024 of the Group. The Audit Committee has no disagreement with the accounting principles and practices adopted by the Group.

Compliance with the Model Code

The Company has adopted the Model Code as code of conduct for securities transactions by all the Directors, supervisors and relevant employees of the Company. After specific enquiries to the Directors, supervisors and relevant employees of the Company, the Board is pleased to confirm that all the Directors, supervisors and relevant employees of the Company have fully complied with the provisions under the Model Code during the period under review.

Compliance with the Corporate Governance code in Appendix C1 to 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") as set out in Part 2 of Appendix C1 to 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 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 of the Company (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 attendance to general meetings:

Ms. Hu Xiao, a non-executive Director, Mr. Wong Tak Hung, a non-executive Director and Mr. Chen Wei, an independent non-executive Director, were unable to attend the fourth meeting of the eighth session of the Board convened on 27 March 2024 by the Company due to their other business commitments.

Ms. Zhang Shen-yu, a non-executive Director, Mr. Dong Xiao-chun, the then non-executive Director and Mr. Xia Da-wei, an independent non-executive Director, were unable to attend the fifth meeting of the eighth session of the Board convened on 11 May 2024 by the Company due to their other business commitments.

Ms. Zhang Shen-yu, a non-executive Director and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the sixth meeting of the eighth session of the Board convened on 20 June 2024 by the Company due to their other business commitments.

Ms. Hu Xiao, a non-executive Director, Ms. Zhang Shen-yu, a non-executive Director, Mr. Wong Tak Hung, a non-executive Director and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the 2023 annual general meeting of the Company convened on 20 June 2024 (the "2023 AGM") due to their other business commitments.

Ms. Hu Xiao, a non-executive Director, Ms. Zhang Shen-yu, a non-executive Director, Mr. Wong Tak Hung, a non-executive Director and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the 2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares of the Company convened on 20 June 2024 (the "2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares") due to their other business commitments.

Ms. Hu Xiao, a non-executive Director, Ms. Zhang Shen-yu, a non-executive Director, Mr. Wong Tak Hung, a non-executive Director and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the 2024 Class Meeting of Holders of H Shares of the Company convened on 20 June 2024 (the "2024 Class Meeting of Holders of H Shares") due to their other business commitments.

Ms. Hu Xiao, a non-executive Director, and Ms. Zhang Shen-yu, a non-executive Director, were unable to attend the extraordinary general meeting of the Company convened on 27 August 2024 (the "EGM") due to their other business commitments.

Ms. Hu Xiao, a non-executive Director, and Ms. Zhang Shen-yu, a non-executive Director, were unable to attend the seventh meeting of the eighth session of the Board convened on 29 August 2024 by the Company due to their 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 relevant matters were considered at the Board meetings and all the resolutions were passed smoothly. The Company had sent the related minutes to all Directors of the Board after the Board meetings so any Director who was unable to attend the meeting was able to understand the resolutions passed at the meetings.

Moreover, the Company has provided the relevant materials and all necessary information relating to the 2023 AGM, 2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares, 2024 Class Meeting of Holders of H Shares and EGM (collectively referred to as the "2024 General Meetings") to all members of the Board before the 2024 General Meetings. All ordinary resolutions and special resolutions considered at the 2024 General Meetings were passed smoothly. The Company sent the related minutes of the 2024 General Meetings to all members of the Board after the 2024 General Meetings so that the Directors who were unable to attend the meetings were able to understand the resolutions passed at the 2024 General Meetings.

Change in Information of Directors

The changes in information of Directors up to the date of this report are set out below:

Name of Director		Details of Changes
Mr. Shi Xiao-long	–	Resigned as a non-executive Director of the Company on 7 February 2024
Ms. Zhang Hui-qin	–	Appointed as an executive Director of the Company on 7 February 2024
Mr. Dong Xiao-chun	–	Retired as a non-executive Director of the Company on 24 May 2024
Ms. Yang Qin	–	Appointed as a non-executive Director of the Company on 24 May 2024

Please refer to the announcements of the Company dated 7 February 2024 and 24 May 2024 and the circular of the Company dated 6 May 2024 and the supplemental circular of the Company dated 3 June 2024 for the biographical details of the relevant Directors. Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board
Mr. Pu Shao-hua
Chairman

29 August 2024, Shanghai, the PRC

Report on Review of Condensed Consolidated Financial Statements

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)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Lianhua Supermarket Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 August 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	NOTES	**RMB'000**	RMB'000
Revenue	3	**10,896,547**	11,771,962
Cost of sales		**(9,644,651)**	(10,284,780)
Gross profit		**1,251,896**	1,487,182
Other revenue	3	**902,425**	1,040,460
Other income and other gains and losses	5	**282,829**	256,927
Distribution and selling expenses		**(1,973,101)**	(2,181,390)
Administrative expenses		**(324,077)**	(397,607)
Impairment losses under expected credit loss ("ECL") model, net of reversal	18	**(3,040)**	(843)
Other expenses	6	**(15,999)**	(1,557)
Share of results of associates		**3,244**	(75,627)
Finance costs	7	**(106,655)**	(118,354)
Profit before tax	8	**17,522**	9,191
Income tax expense	9	**(45,372)**	(80,177)
Loss and total comprehensive expense for the period		**(27,850)**	(70,986)
(Loss) profit and total comprehensive (expense) income for the period attribute to:			
Owners of the Company		**(54,809)**	(116,461)
Non-controlling interests		**26,959**	45,475
		(27,850)	(70,986)
Loss per share – basic (RMB cents)	11	**(4.9)**	(10.4)

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	NOTES	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	12	**3,096,086**	3,221,869
Construction in progress	12	**9,422**	14,339
Right-of-use assets	12	**4,705,328**	5,022,128
Goodwill	12	**146,096**	146,096
Intangible assets	12	**115,932**	126,477
Interests in associates		**234,570**	231,382
Financial assets at fair value through profit or loss ("FVTPL")	13	**48,948**	53,851
Finance lease receivables-non-current		**67,814**	57,441
Term deposits	14	**3,343,000**	4,278,060
Deferred tax assets	15	**77,284**	77,712
Other non-current assets	16	**115,249**	157,090
		11,959,729	13,386,445
Current assets			
Inventories		**1,927,438**	2,431,542
Finance lease receivables-current		**35,149**	23,512
Prepaid rental		**5,042**	5,128
Trade and bills receivables	17	**281,606**	238,326
Deposits, prepayments and other receivables		**494,912**	486,561
Financial assets at FVTPL	13	**1,156,171**	996,485
Amount due from an ultimate holding company	19	**8**	690
Amounts due from fellow subsidiaries	19	**93,290**	41,855
Amount due from an associate	20	**533**	479
Term deposits	14	**1,656,433**	930,500
Restricted bank balances		**19,041**	–
Cash and cash equivalents		**2,373,477**	2,447,620
		8,043,100	7,602,698
Total assets		**20,002,829**	20,989,143

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	NOTES	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Capital and reserves			
Share capital	21	**1,119,600**	1,119,600
Reserves		**(1,102,283)**	(1,047,474)
Equity attributable to owners of the Company		**17,317**	72,126
Non-controlling interests		**398,104**	376,221
Total equity		**415,421**	448,347
Non-current liabilities			
Deferred tax liabilities	15	**128,698**	127,613
Lease liabilities		**4,065,843**	4,305,173
		4,194,541	4,432,786
Current liabilities			
Trade and bills payables	22	**4,484,969**	4,402,499
Tax payable		**146,279**	203,460
Other payables and accruals	23	**1,351,477**	1,756,847
Lease liabilities		**790,983**	833,025
Coupon liabilities	24	**8,534,993**	8,899,355
Amount due to an ultimate holding company	19	**5,116**	–
Amounts due to fellow subsidiaries	19	**78,307**	12,074
Amounts due to associates	20	**743**	750
		15,392,867	16,108,010
Total liabilities		**19,587,408**	20,540,796
Total equity and liabilities		**20,002,829**	20,989,143

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	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)	Accumulated losses RMB'000	Total attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023 (audited)	1,119,600	258,353	(235,497)	559,800	(884,115)	818,141	367,270	1,185,411
Adjustments	–	–	–	–	45,302	45,302	15,558	60,860
At 1 January 2023 (restated)	1,119,600	258,353	(235,497)	559,800	(838,813)	863,443	382,828	1,246,271
Total comprehensive (expense) income for the period	–	–	–	–	(116,461)	(116,461)	45,475	(70,986)
Dividends to non-controlling shareholders	–	–	–	–	–	–	(3,462)	(3,462)
At 30 June 2023 (unaudited)	1,119,600	258,353	(235,497)	559,800	(955,274)	746,982	424,841	1,171,823
At 1 January 2024 (audited)	**1,119,600**	**258,353**	**(235,497)**	**559,800**	**(1,630,130)**	**72,126**	**376,221**	**448,347**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(54,809)**	**(54,809)**	**26,959**	**(27,850)**
Dividends to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(5,076)**	**(5,076)**
At 30 June 2024 (unaudited)	**1,119,600**	**258,353**	**(235,497)**	**559,800**	**(1,684,939)**	**17,317**	**398,104**	**415,421**

Notes:

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

(b) Other reserve of the Group mainly represents:

i. the fair value difference of a subsidiary's net assets, 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 subsidiaries registered in PRC, each of the companies within the Group is required to transfer 10% of its profit, as determined under the PRC accounting regulations, to statutory common reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders. No further transfer is required when the fund has reached 50% of the registered capital of the subsidiaries registered in the PRC.

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 the balance of the reserve fund after such conversion is not less than 25% of the registered capital.

No transfer has been made to the statutory common reserve fund in respect of the net profit for the six months ended 30 June 2024 and 2023 as such transfer will be made, upon directors' approval, at the year-end date based on the annual profit.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash from operating activities	**719,733**	702,387
Investing activities		
Placement of unrestricted term deposits	**(1,390,000)**	(1,580,000)
Withdrawal of unrestricted term deposits	**1,099,990**	240,000
Payments for purchase of property, plant and equipment and construction in progress	**(62,626)**	(84,561)
Proceeds from disposal of property, plant and equipment and intangible assets	**2,580**	10,520
Payments for purchase of intangible assets	**(6,559)**	(16,631)
Payment for rental deposits	**(1,835)**	(2,114)
Refund of rental deposits	**3,959**	1,855
Dividends from financial assets at FVTPL	**10**	–
Proceeds from disposal of financial assets at FVTPL	**365,000**	315,007
Purchase of financial assets at FVTPL	**(505,000)**	(150,000)
Net cash used in investing activities	**(494,481)**	(1,265,924)
Financing activities		
Dividends paid to non-controlling shareholders	**(81,635)**	(3,582)
Proceeds from notes financing	**1,587,355**	493,205
Payments for notes financing	**(1,450,000)**	–
Repayments of lease liabilities	**(355,115)**	(597,337)
Net cash used in financing activities	**(299,395)**	(107,714)
Net decrease in cash and cash equivalents	**(74,143)**	(671,251)
Cash and cash equivalents at 1 January	**2,447,620**	3,198,945
Cash and cash equivalents at 30 June	**2,373,477**	2,527,694

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As of 30 June 2024, the Group has net current liabilities of RMB7,349,767,000 (31 December 2023: RMB8,505,312,000). Taking into account of the Group's ability to withdraw the non-current unrestricted term deposits of RMB1,820,025,000 (31 December 2023: RMB2,955,015,000), the historical settlement and addition pattern of the coupon liabilities, the directors of the Company consider the liquidity risk has been effectively monitored and the Group is able to be continued as a going concern.

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

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 additional/change in accounting policies resulting from application of 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 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of 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. Analysis of the Group's revenue recognised during the period is as follows:

(i) Disaggregation of revenue from contracts with customers

Type of Revenue

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sales of merchandise	**10,896,547**	11,771,962
Services		
Income from suppliers (service income)	**657,273**	784,263
Franchising income from franchised stores	**18,829**	20,542
Commission income on coupon redemption at other retail shops	**659**	201
	676,761	805,006
	11,573,308	12,576,968

Timing of revenue recognition

At a point in time	**10,897,206**	11,772,163
Over time	**676,102**	804,805
	11,573,308	12,576,968

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	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers – sales of merchandise	**10,896,547**	11,771,962
Other revenue from contracts with customers – services	**676,761**	805,006
Rental income from leasing of shop premises	**225,664**	235,454
	902,425	1,040,460
Total revenue and other revenue	**11,798,972**	12,812,422

3. REVENUE AND OTHER REVENUE (Continued)

(ii) Leases

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
For operating leases:		
Fixed lease payments	**222,082**	226,615
For finance leases:		
Finance income on the net investment in the lease	**3,582**	8,839
Total revenue arising from leases	**225,664**	235,454

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 Six months ended 30 June		Segment results Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	**2024 (Unaudited) RMB'000**	2023 (Unaudited) RMB'000
Hypermarkets	**5,220,509**	5,873,177	**94,228**	122,472
Supermarkets	**5,756,369**	6,038,883	**29,776**	64,766
Convenience stores	**785,340**	852,375	**(18,432)**	(5,319)
Other operations	**36,754**	47,987	**1,277**	(4,626)
	11,798,972	12,812,422	**106,849**	177,293

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

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Segment results	**106,849**	177,293
Share of results of associates	**3,244**	(75,627)
Unallocated interest income	**16,491**	10,147
Unallocated (loss) gain on change in fair value of financial assets at FVTPL	**(4,892)**	9,969
Unallocated expenses	**(104,170)**	(112,591)
Profit before tax	**17,522**	9,191

4. SEGMENT INFORMATION (Continued)

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 headquarter income and expenses (including certain interest income relating to funds centrally managed) and unallocated (loss) gain on change in fair value of financial assets at FVTPL. 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	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Interest income on bank balances and term deposits	**122,218**	137,337
Government grants (Note i)	**14,618**	18,174
Gain on change in fair value of financial assets at FVTPL	**14,783**	24,829
Dividends from financial assets at FVTPL	**10**	–
Gain on disposal of property, plant and equipment	**–**	1,717
Net gain on termination of right-of-use assets and lease liabilities	**50,917**	23,419
Salvage sales	**6,827**	8,476
Income from breakage (Note ii)	**7,331**	6,408
Coupon charges	**5,057**	5,326
Penalty income	**48,841**	17,928
Membership income	**2,280**	2,531
Others	**9,947**	10,782
Total	**282,829**	256,927

Notes:

(i) The Group received unconditional grants of RMB14,618,000 (30 June 2023: RMB18,174,000) 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 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 utilised by the customers for certain period of time. The breakage amounts are recognised as other income from coupon liabilities.

6. OTHER EXPENSES

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	**7,203**	–
Store closure expenses	**5,077**	1,363
Penalty expense	**3,087**	–
Others	**632**	194
	15,999	1,557

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest expense on lease liabilities	**94,010**	111,559
Expense on discounting of bill receivables	**12,645**	6,795
	106,655	118,354

8. PROFIT BEFORE TAX

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax has been arrived at after charging (crediting):		
Amortisation and depreciation		
Amortisation of intangible assets (Note 12)	**17,104**	16,736
Depreciation of property, plant and equipment (Note 12)	**172,475**	168,037
Depreciation of right-of-use assets (Note 12)	**441,460**	488,348
Total amortisation and depreciation	**631,039**	673,121
Cost of inventories recognised as an expense	**9,646,212**	10,285,566
Impairment losses under ECL model, net of reversal	**3,040**	843
Staff costs	**974,992**	1,127,909
Reversals of write down of inventories	**(1,561)**	(786)
Share of results of associates		
Share of results before tax	**(4,155)**	74,639
Share of income tax expense	**911**	988
	(3,244)	75,627

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax on the PRC Enterprise Income Tax ("EIT")	**44,086**	99,868
(Over) under provision in prior years	**(227)**	12
Deferred tax credit (debit)	**1,513**	(19,703)
	45,372	80,177

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 identified as small low-profit enterprises are entitled to enjoy preferential EIT rate ranging from 5% to 10%.

10. DIVIDEND

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

11. LOSS PER SHARE – BASIC

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss		
Loss for the period attributable to owners of the Company	**(54,809)**	(116,461)

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
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 dilutive potential ordinary shares in issue for both periods.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Goodwill RMB'000	Intangible assets RMB'000
Opening carrying amount as at 1 January 2023	3,463,791	4,330	5,738,461	148,017	123,005
Additions	47,028	8,974	168,885	–	16,631
Transfers	6,006	(6,006)	–	–	–
Lease modification	–	–	63,132	–	–
Disposals/Termination	(8,803)	–	(152,483)	–	–
Depreciation/amortisation charge (note 8)	(168,037)	–	(488,348)	–	(16,736)
Closing carrying amount as at 30 June 2023 (unaudited)	3,339,985	7,298	5,329,647	148,017	122,900
Opening carrying amount as at 1 January 2024	3,221,869	14,339	5,022,128	146,096	126,477
Additions	44,637	6,921	404,374	–	6,559
Transfers	11,838	(11,838)	–	–	–
Lease modification	–	–	(14,291)	–	–
Disposals/Termination	(9,783)	–	(265,423)	–	–
Depreciation/amortisation charge (note 8)	(172,475)	–	(441,460)	–	(17,104)
Closing carrying amount as at 30 June 2024 (unaudited)	3,096,086	9,422	4,705,328	146,096	115,932

Note:

The management of the Group conducts a review of the Group's leasehold improvements and operating and office equipment on a periodic basis to determine if there are any indications of impairment.

During the current interim period, the management of the Group conducted an impairment review of the Group's property, plant and equipment, construction in progress, right-of-use assets and intangible assets and no impairment was recognised.

13. FINANCIAL ASSETS AT FVTPL

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Non-current		
Unlisted equity instruments	**797**	797
Equity securities listed in the Shanghai Stock Exchange	**48,151**	53,054
Total	**48,948**	53,851
Current		
Equity securities listed in the Shanghai Stock Exchange	**669**	857
Unlisted financial products (Note)	**1,155,502**	995,628
Total	**1,156,171**	996,485

Note:

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 RMB19,874,000 (six months ended 30 June 2023: gain on change in fair value of RMB15,440,000) is credited to "other income and other gains and losses".

14. TERM DEPOSITS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Non-current:		
Restricted term deposits	**1,522,975**	1,323,045
Other non-current unrestricted term deposits	**1,820,025**	2,955,015
Total	**3,343,000**	4,278,060
Current:		
Restricted term deposits	**1,433**	700,500
Other current unrestricted term deposits	**1,655,000**	230,000
Total	**1,656,433**	930,500

Term deposits are placed with banks in the PRC and denominated in RMB. The effective interest rates on unrestricted term deposits range from 1.40% to 4.30% (2023: 1.40% to 4.30%) per annum for the Group. Deposits with a maturity period over 3 months but within 1 year are presented as current assets whilst deposits with 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 to certain banks as a security for coupons issued to customers and are not available for other use by the Group.

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 restricted term deposits range from 1.50% to 4.26% (2023: 2.20% to 4.26%) per annum for the Group. The carrying amounts of the term deposits of the Group approximated their fair value.

15. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and preceding interim periods:

	Fair value adjustments	ECL provision and inventory allowances	Accrued expenses	Accrued income	Lease liabilities	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023 (audited)	(62,834)	2,394	1,127	(80,439)	–	–	(139,752)
Adjustments	–	–	–	–	1,283,221	(1,222,361)	60,860
As at 1 January 2023 (restated)	(62,834)	2,394	1,127	(80,439)	1,283,221	(1,222,361)	(78,892)
(Charge) credit to profit or loss	(3,577)	170	(716)	20,632	(89,016)	92,210	19,703
As at 30 June 2023	(66,411)	2,564	411	(59,807)	1,194,205	(1,130,151)	(59,189)
(Charge) credit to profit or loss	(126)	(78)	1,646	3,927	(67,975)	71,894	9,288
As at 31 December 2023 (audited)	(66,537)	2,486	2,057	(55,880)	1,126,230	(1,058,257)	(49,901)
(Charge) credit to profit or loss	(1,288)	756	(1,702)	248	(84,770)	85,243	(1,513)
As at 30 June 2024 (unaudited)	(67,825)	3,242	355	(55,632)	1,041,460	(973,014)	(51,414)

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Deferred tax assets	**77,284**	77,712
Deferred tax liabilities	**(128,698)**	(127,613)
	(51,414)	(49,901)

At the end of the current interim period, the Group has unused tax losses of RMB3,349,036,000 (31 December 2023: RMB3,181,486,000) 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. Included in unrecognised tax losses are losses of RMB599,756,000 (31 December 2023: RMB653,816,000) that will expire in 2024.

16. OTHER NON-CURRENT ASSETS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Interest receivable on term deposits	115,249	157,090

17. TRADE AND BILLS RECEIVABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables – contracts with customers	285,595	239,429
Bills receivables	4,700	6,000
Less: allowance for credit losses	(8,689)	(7,103)
	281,606	238,326

The aging analysis of the trade receivables net of allowance for credit losses at the end of the reporting period, arising principally from sales merchandise to wholesalers with credit terms ranging from 30 to 60 days (31 December 2023: 30 to 60 days), presented as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
0-30 days	261,114	220,292
31-60 days	1,223	2,968
61-90 days	464	811
Over 90 days	14,105	8,255
	276,906	232,326

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.

17. TRADE AND BILLS RECEIVABLES (Continued)

The following is an ageing analysis of bills receivables presented based on the issue dates of bills receivables:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
0-180 days	**4,700**	6,000

The following is a maturity analysis of bills receivables presented based on the remaining dates to maturity of bills receivables at the end of each reporting period:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
0-180 days	**4,700**	6,000

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:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
1-30 days past due	**464**	811
More than 30 days past due	**14,105**	8,255
	14,569	9,066

18. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment loss recognised on:		
– Trade receivables	**1,586**	(508)
– Other receivables	**1,454**	1,351
	3,040	843

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

19. AMOUNT(S) DUE FROM/TO AN ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

Amount(s) due from/(to) ultimate holding company/fellow subsidiaries was trade in nature, unsecured, interest free, with credit terms ranging from 30 to 90 days (31 December 2023: 30 to 90 days). As at 30 June 2024, balances of amounts due from (to) fellow subsidiaries are mainly aged within 90 days (31 December 2023: 90 days).

20. AMOUNT(S) DUE FROM AN ASSOCIATE/TO ASSOCIATES

Amount(s) due from an associate/(to) associates represent balances arising from expenses incurred by the Group and purchases of merchandise from associates respectively. Balances are all aged within 90 days (31 December 2023: 90 days) and the credit terms of the trade balances range from 30 to 90 days (31 December 2023: 30 to 90 days). Such balances with associates are unsecured and interest free.

21. SHARE CAPITAL

	Number of share	**Share capital**
		RMB'000
Ordinary shares of RMB1.00 each		
Registered, issued and fully paid:		
As at 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024	1,119,600,000	1,119,600

22. TRADE AND BILLS PAYABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade payables	2,884,969	2,952,499
Bills payables (note)	1,600,000	1,450,000
	4,484,969	4,402,499

Note:

During the six months ended 30 June 2024 and 30 June 2023, certain of the Company's subsidiaries received bills from the other subsidiaries and discounted the bills to banks. The cash flows of such transactions have been presented in cash flow statement as financing activities.

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 2023: 30 to 60 days), is as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
0-30 days	882,106	957,899
31-60 days	561,408	623,032
61-90 days	322,565	349,075
Over 90 days	1,118,890	1,022,493
	2,884,969	2,952,499

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.

The following is an aging analysis of bills payables presented based on issue dates at the end of each reporting period:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
0-180 days	1,600,000	1,350,000
Over 180 days	–	100,000
	1,600,000	1,450,000

22. TRADE AND BILLS PAYABLES (Continued)

The following is an aged analysis of bills payables presented based on maturity date at the end of each reporting period:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
0-180 days	**1,600,000**	1,450,000

23. OTHER PAYABLES AND ACCRUALS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Prepayments received from franchisees and other third parties	**420,898**	649,031
Deposits from lessees, franchisees and other third parties	**304,565**	307,206
Store closure provision	**171,056**	181,697
Payroll, staff welfare and other staff cost payable	**170,288**	258,945
Value added tax and other tax payables	**117,220**	82,908
Payables for acquisition of property, plant and equipment and low value consumables	**74,854**	91,740
Accruals	**64,403**	78,445
Other miscellaneous payables	**23,853**	25,864
Amount payable to other retailers upon customers' redemption of coupon issued by the Group	**4,340**	4,452
Dividend payable to non-controlling interests	**–**	76,559
	1,351,477	1,756,847

24. COUPON LIABILITIES

As at 30 June 2024, amount of RMB1,377,023,000 (31 December 2023: RMB1,512,378,000) coupon are sold on behalf of the fellow subsidiaries with their authorisation. In addition, amount of RMB719,210,000 (31 December 2023: RMB726,643,000) value added tax to be paid are included in the balance of coupon liabilities.

25. CAPITAL COMMITMENTS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment: – contracted for but not provided in the condensed consolidated financial statements	41,315	50,348

26. RELATED PARTY TRANSACTIONS

Save as elsewhere disclosed in the condensed consolidated financial statements, the Group also entered into the following related party transactions during the current interim period:

(i) Related party transactions

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Sales to fellow subsidiaries	228,518	316,159
Sales return from/to other related parties	(131)	595
Purchases from associates	657	1,439
Purchases from an ultimate holding company and fellow subsidiaries	100,089	86,679
Rental income from fellow subsidiaries	14,372	28,397
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	2,440	2,936
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	5,831	4,112
Interest expenses on lease liabilities charged by fellow subsidiaries	1,240	1,645
Property management fee charged by fellow subsidiaries	4,965	5,355
Interest income earned from a fellow subsidiary	17,072	4,424
Platform usage fee charged by fellow subsidiaries	23,931	31,185
Logistics resource leasing fee charged by fellow subsidiaries	1,018	1,068
Logistics and delivery service fee charged by fellow subsidiaries	73	88
Logistics and delivery services income from fellow subsidiaries	1,715	2,599
Logistics and delivery services fee charged by other related parties	2,378	229
Service and platform usage fee charged by other related parties	12,908	13,869
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	6,772	8,693
Transaction amounts transferred from a fellow subsidiary's settlement account into the Group's relevant account upon redemption of membership points by the customers	2,523	4,476

Detail terms of related party transactions during the current interim period are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

26. RELATED PARTY TRANSACTIONS (Continued)

(ii) 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 and loan services at a rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.

During the year ended 31 December 2023, the Group entered into a supplemental agreement to the Investment and Wealth Management Cooperation Framework Agreement with the fellow subsidiary, pursuant to which, the fellow subsidiary agreed to invest and manage the entrusted assets in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines.

The summary of cash and cash equivalents, unrestricted term deposits and investment made in a fellow subsidiary is set out below:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Cash and cash equivalents in a fellow subsidiary	**104,814**	405,729
Unrestricted term deposits	**1,100,000**	–
Investment and wealth management cooperation with a fellow subsidiary	**1,155,502**	995,628
The summary of lease liabilities to related parties is as follows:		
Lease liabilities	**63,827**	75,909

(iii) 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 periods, significant amounts of the Group's purchase were from Government Related Entities and most of the Group's deposits and bank borrowing are placed and advanced from banks which are also Government Related Entities.

26. RELATED PARTY TRANSACTIONS (Continued)

(iv) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**5,258**	5,255
Post-employment benefits	**228**	213
Other long-term benefits	**272**	288
	5,758	5,756

The remuneration of directors and key management personnel determined by the remuneration and appraisal committee having regard to the performance of individuals and market trends.

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30/06/2024 RMB'000	31/12/2023 RMB'000			
1) Investments in unlisted financial products which are managed by licensed financial institutions in the PRC classified as financial assets at FVTPL	1,155,502	995,628	Level 2	Discounted cash flows method, estimated based on expected return and market interest rate	Not applicable
2) Investment in equity shares listed in the Shanghai Stock Exchange classified as financial assets at FVPTL	48,820	53,911	Level 1	Quoted bid prices in an active market	Not applicable
3) Unquoted equity investments classified as financial assets at FVTPL	797	797	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

There were no transfers between Level 1 and 2 during the period.

Fair value measurements and valuation process

The Chief Financial Officer ("CFO") of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group use market-observable data to the extent it is available, and if appropriate, the Group will engage third party qualified valuers to perform the valuation. The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the findings, if any, 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.

28. AUTHORISATION FOR THE ISSUE OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were authorised for issue by the board of directors of the Company on 29 August 2024.