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

(Stock Code: 00980)

**ANNOUNCEMENT
MAJOR TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS**

(A) PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

The Board announces that on 17 November 2015, the Company entered into the Property Management Framework Agreement with Bailian Group, pursuant to which, Bailian Group agreed to provide the Company with property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term of three years commencing from 1 January 2016 to 31 December 2018.

(B) SUPPLY OF RESOURCES FRAMEWORK AGREEMENT

The Board announces that on 17 November 2015, the Company entered into the Supply of Resources Framework Agreement with Bailian Group, pursuant to which, Bailian Group agreed to supply various kinds of resources, including but not limited to office utilities, electrical appliances, industrial products, equipment, resources and components parts for the daily operation of the Group for a term of three years commencing from 1 January 2016 to 31 December 2018.

(C) SUPPLY OF GOODS FRAMEWORK AGREEMENT

The Board announces that on 17 November 2015, the Company entered into the Supply of Goods Framework Agreement with Bailian Group, pursuant to which, Bailian Group agreed to supply various kinds of goods, including but not limited to dried meat products, electrical appliances, electrical components, kitchen products, cosmetic products, sanitary products, household products and sports products, for sale in the sales outlets of the Group for a term of three years commencing from 1 January 2016 to 31 December 2018.

(D) LEASING FRAMEWORK AGREEMENT

The Board announces that on 17 November 2015, the Company entered into the Leasing Framework Agreement with Bailian Group, pursuant to which, Bailian Group agreed to lease certain premises to the Group for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices for a term of three years commencing from 1 January 2016 to 31 December 2018.

(E) SMART CARDS ARRANGEMENT AGREEMENT

The Board announces that on 17 November 2015, the Company entered into the Smart Cards Arrangement Agreement with Bailian Group, pursuant to which, the parties agreed to make certain arrangements to enable them to accept payments of purchases from the customers by using the smart cards of the other party within their respective sales networks for a term of three years commencing from 1 January 2016 to 31 December 2018.

(F) FINANCIAL SERVICES AGREEMENT

The Board announces that on 17 November 2015, the Company, Bailian Group and Bailian Finance entered into the Financial Services Agreement pursuant to which, Bailian Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein for a term commencing from the Effective Date to 31 December 2018.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the provision of deposit services under the Financial Services Agreement is more than 25%, the provision of deposit services under the Financial Services Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Bailian Group is a substantial shareholder of the Company and Bailian Finance is a subsidiary of Bailian Group. Accordingly, Bailian Finance and Bailian Group are connected persons of the Company. Therefore, the Agreements and the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios for the transactions under each of the Agreements are more than 0.1% but less than 5%, the transactions contemplated under the Agreements are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As two of the applicable percentage ratios for the provision of deposit services under the Financial Services Agreement is more than 5%, the provision of deposit services under the Financial Services Agreement are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The loan services to be provided by Bailian Finance to the Group under the Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent Shareholders' approval requirements.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Bailian Finance in respect of the provision of other financial services under the Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the total fees payable by the Company to Bailian Finance for the provision of other financial services under the Financial Services Agreement exceed the relevant de minimis threshold.

The Company will also disclose the relevant details of the Agreements and the Financial Services Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

A circular containing details of the deposit services under the Financial Services Agreement, a letter from the independent board committee of the Company and a letter from the independent financial advisor, advising the terms of the deposit services under the Financial Services Agreement, and the notice of the EGM will be despatched to the Shareholders in accordance with the Listing Rules on or before 8 December 2015.

BACKGROUND

The Property Management Framework Agreement, the Supply of Resources Framework Agreement, the Supply of Goods Framework Agreement, the Leasing Framework Agreement, the Smart Cards Arrangement Agreement and the Financial Services Agreement are the renewal of the property management framework agreement dated 16 November 2012, the supply of resources framework agreement dated 16 November 2012, the supply of goods framework agreement dated 16 November 2012, the leasing framework agreement dated 16 November 2012, the smart cards arrangement agreement dated 16 November 2012 and the financial services agreement dated 28 February 2013, respectively, the details of which were set out in the announcements of the Company dated 16 November 2012 and 28 February 2013.

(A) PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

Date

17 November 2015

Parties

- (a) the Company; and
- (b) Bailian Group

Property Management

Pursuant to the Property Management Framework Agreement, Bailian Group agreed to provide property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term of three years commencing from 1 January 2016 to 31 December 2018.

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

Term

The Property Management Framework Agreement is for a term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

Consideration and Payment

1. The fee for the provision of property management services under the Property Management Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the property management fees of similar properties in the market from time to time.
2. Depending on the specific conditions of transactions contemplated under the individual property management contracts, the fee payable under the individual property management contracts is to be made by bank transfer on a monthly or quarterly basis.
3. Transactions contemplated under the Property Management Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable from independent third parties.

Internal Control and Pricing Policy

In order to ensure that the terms for the property management services provided by Bailian Group and/or its subsidiaries are not less favourable than those available from independent third parties, the Group has adopted the following measures:

1. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions;
2. the Group will obtain the fees of relevant comparable services provided by at least two independent property management companies for ascertaining the fee of the services provided by Bailian Group and/or its subsidiaries to the Group through arm's length negotiations between the relevant parties. The relevant fee shall be submitted to the business department of the relevant subsidiaries for approval or depending on the actual circumstances, such fee shall be submitted to the management of the relevant subsidiaries by such relevant business department for further approval. The relevant departments and management (as the case maybe) will ensure the service fee of the services provided by Bailian Group and/or its subsidiaries is fair and reasonable, on normal commercial terms and on terms not less favourable than those provided by other independent service providers, after considering factors including the service scope, quality and pricing of comparable services to be provided by other independent property management service providers.
3. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. the Company's Audit Committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company and/or its relevant subsidiaries; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Historical Amount

The historical transaction amounts for the property management services by Bailian Group and/or its subsidiaries to the Group are as follows:–

For the year/period ended	Transaction amounts <i>(Million RMB)</i>
31 December 2013	6.16
31 December 2014	6.62
30 September 2015	7.95

Annual Cap

It is expected that the maximum aggregate annual transaction amounts under the Property Management Framework Agreement for each of the three years ending 31 December 2018 is RMB18 million, which is determined in accordance with:

1. the historical transaction amounts for the provision of property management services by Bailian Group and/or its subsidiaries to the Group in the past;
2. the continuous increase in demand for property management services by the Company resulting from the continuous growth in the scale of its business; and
3. the expected increase of property management fee in the coming years due to the increase of various operational costs of Bailian Group and/or its subsidiaries.

The Directors consider that the above proposed caps in respect of the property management services by Bailian Group and/or its subsidiaries to the Group are fair and reasonable.

Reasons for and Benefits of Entering into the Property Management Framework Agreement

Bailian Group and its subsidiaries have extensive experience in property management and are able to provide their customers with high-quality property management services at a reasonable service fee. The Company's engagement of Bailian Group in providing property management services allows effective management of the Group's premises (including offices and retail stores) and support the stable operation of the Group.

In light of the above, the Directors are of the view that the terms of the Property Management Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(B) SUPPLY OF RESOURCES FRAMEWORK AGREEMENT

Date

17 November 2015

Parties

- (a) the Company; and
- (b) Bailian Group

Supply of Resources

Bailian Group agreed to supply various kinds of resources, including but not limited to office utilities, electrical appliances, industrial products, equipment, resources and components parts for the daily operation of the Group.

The parties and/or its subsidiaries will enter into individual supply of resources contracts setting out specific terms of supply of resources including the principles of resources fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Supply of Resources Framework Agreement. If there is any conflict between the terms of an individual supply of resources contract and the Supply of Resources Framework Agreement, the latter shall prevail.

Term

The Supply of Resources Framework Agreement is for a term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

Consideration and Payment

1. The pricing for the supply of resources under the Supply of Resources Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market price of such resources from time to time.
2. Depending on the specific conditions of transactions contemplated under the individual supply of resources contracts, the fee payable under the individual supply of resources contracts is to be made by bank transfer on a monthly, quarterly or agreed period basis and shall be consistent with the market payment terms of purchasing such particular type of resources.
3. Transactions contemplated under the Supply of Resources Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable from independent third parties.

Internal Control and Pricing Policy

In order to ensure that the terms for the supply of resources services provided by Bailian Group and/or its subsidiaries are not be less favourable than those available from independent third parties, the Group has adopted the following measures:

1. the prices for the resources will be negotiated on arm's length basis and at prices with reference to the prevailing market prices of similar products, which will be determined through a periodic price research conducted by the staff of the business department of the Group by obtaining the prices of products and services charged by suppliers in the market for similar products comparable to the products under the Supply of Resources Framework Agreement;
2. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. The relevant personnel of the business department of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy;
3. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. the Company's Audit Committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company and/or its relevant subsidiaries; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Historical Amount

The historical transaction amounts for the supply of resources services by Bailian Group and/or its subsidiaries to the Group are as follows:

For the year/period ended	Transaction amounts <i>(Million RMB)</i>
31 December 2013	8.09
31 December 2014	5.01
30 September 2015	2.74

Annual Cap

It is expected that the maximum aggregate annual transaction amounts in respect of the supply of resources by Bailian Group and/or its subsidiaries under the Supply of Resources Framework Agreement for each of the three years ending 31 December 2018 is RMB10 million, which is determined in accordance with:

1. the historical transaction amounts for the supply of resources by Bailian Group and/or its subsidiaries to the Group in the past;
2. the growth of the Company's demand for resources to be provided by Bailian Group and/or its subsidiaries resulting from the continuous growth in the scale of business of the Company;
3. the demand in the prevailing market for resources, including but not limited to office utilities, electrical appliances, industrial products, equipment, resources and components parts in the PRC.

The Directors consider that the above proposed caps in respect of the supply of resources services provided by Bailian Group and/or its subsidiaries to the Group are fair and reasonable.

Reasons for and Benefits of Entering into the Supply of Resources Framework Agreement

Bailian Group and its subsidiaries have extensive experience in resources trade and possess well-established sale and distribution channels and are able to provide their customers with various resources at reasonable prices. The purchase of resources from Bailian Group can help to enhance the costs effectiveness of the Group.

In light of the above, the Directors are of the view that the terms of the Supply of Resources Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(C) SUPPLY OF GOODS FRAMEWORK AGREEMENT

Date

17 November 2015

Parties

- (a) the Company; and
- (b) Bailian Group

Supply of Goods

Pursuant to the Supply of Goods Framework Agreement, Bailian Group and/or its Associates agreed to supply various kinds of goods, including but not limited to dried meat products, electrical appliances, electrical components, kitchen products, cosmetic products, sanitary products, household products and sports products, for sale in the sales outlets of the Group.

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

Term

The Supply of Goods Framework Agreement is for a term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

Consideration and Payment

1. The pricing for the supply of goods under the Supply of Goods Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market price of such goods from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not be less favourable than those available from independent third parties.
2. Bailian Group and/or its Associates shall pay sales rebates to the Company for the actual sale of the goods by Bailian Group and/or its Associates to the Company under the Supply of Goods Framework Agreement. Such sales rebates to be paid by Bailian Group and/or its Associates to the Company is determined principally by arm's length commercial negotiations between the parties according to the principles of fairness and reasonableness between the relevant parties with reference to the policy of determining sales rebates in the market. However, in any event, such sales rebates shall not be less than 1% of the actual sales figures (*Note*) of such particular type of goods to be supplied by Bailian Group and/or its Associates to the Company under the Supply of Goods Framework Agreement. There is no maximum amount nor percentage of sales rebate under the Supply of Goods Framework Agreement.

Note: The "actual sales figures" refer to the sales amount (with tax) of such particular type of goods to be supplied by Bailian Group and/or its Associates to the Company under the Supply of Goods Framework Agreement.

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

Internal Control and Pricing Policy

In order to ensure that the terms for the supply of goods from Bailian Group and/or its Associates are not be less favourable than those available from independent third parties, the Group have adopted the following measures:

1. the prices for the goods will be negotiated on arm's length basis and with reference to the prevailing market prices of similar products, which will be determined through a periodic price research conducted by the staff of the business department of the Group by obtaining the prices of products and services charged by suppliers in the market for similar products comparable to the products under Supply of Goods Framework Agreement;
2. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. The relevant personnel of the business department of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy;
3. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. the Company's Audit Committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company and/or its relevant subsidiaries; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Historical Amount

The historical transaction amounts for the supply of goods by Bailian Group and/or its Associates to the Group are as follows:

For the year/period ended	Transaction amounts <i>(Million RMB)</i>
31 December 2013	249.03
31 December 2014	199.14
30 September 2015	100.74

Annual Cap

It is expected that the maximum aggregate annual transaction amounts under the Supply of Goods Framework Agreement for each of the three years ending 31 December 2018 is RMB150 million, which is determined in accordance with:

1. the historical transaction amounts for the supply of goods by Bailian Group and/or its Associates to the Group in the past; and
2. the demand in the prevailing market for products including but not limited to dried meat products, electrical appliances, electrical components, kitchen products, cosmetic products, sanitary products, household products and sports products in the PRC.

The Directors consider that the above proposed caps in respect of the supply of goods by Bailian Group and/or its Associates to the Group are fair and reasonable.

Reasons for and Benefits of Entering into the Supply of Goods Framework Agreement

The products sold by Bailian Group and its Associates are well recognized by the market and supported by a stable customer base. The Company has established a stable business relationship with Bailian Group and its Associates in connection with the procurement of their products, which have also formed a significant part of the operation of the Company. The entering into the Supply of Goods Framework Agreement will enhance the stability of the business operation as well as its long-term development of the Company.

In view of the above, the Directors are of the view that the terms of the Supply of Goods Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(D) LEASING FRAMEWORK AGREEMENT

Date

17 November 2015

Parties

- (a) the Company; and
- (b) Bailian Group

Leasing of Premises

Pursuant to the Leasing Framework Agreement, Bailian Group agreed to lease certain premises to the Company for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices, but excluding hypermarkets.

The parties and/or its subsidiaries will enter into individual leasing contracts setting out specific terms of leasing including the principles of rent determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Leasing Framework Agreement. If there is any conflict between the terms of an individual leasing contract and the Leasing Framework Agreement, the latter shall prevail.

Term

The Leasing Framework Agreement is for a term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

Consideration and Payment

1. The rent for leasing certain premises under the Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market rent of similar properties from time to time.
2. Depending on the specific conditions of transactions contemplated under the individual leasing contracts, the fee payable under the individual leasing contracts is to be made by bank transfer on a monthly, quarterly, half-yearly or annual basis.
3. Transactions contemplated under the Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable from independent third parties.

Internal Control and Pricing Policy

In order to ensure that the terms for the leasing services provided by Bailian Group and/or its subsidiaries are not be less favourable than those available from independent third parties, the Group have adopted the following measures:

1. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions;
2. the prices for the leasing services are negotiated on arm's length basis and on terms no less favorable than the prices of the places of the same level provided by independent third parties to the Group (if applicable). The relevant fee shall be submitted to the business department of the relevant subsidiaries for approval or depending on the actual circumstances, such fee shall be submitted to the management of the relevant subsidiaries by such relevant business department for further approval. The relevant departments and management (as the case maybe) will ensure the rental of the premises provided by Bailian Group and/or its subsidiaries is fair and reasonable, on normal commercial terms and on terms not less favourable than those provided by other independent third parties, after considering the terms for leasing comparable premises by other independent property management service providers.
3. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;

4. the Company's Audit Committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company and/or its relevant subsidiaries; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Historical Amount

The historical transaction amounts for the leasing services by Bailian Group and/or its subsidiaries to the Group are as follows:

For the year/period ended	Transaction amounts <i>(Million RMB)</i>
31 December 2013	6.10
31 December 2014	5.92
30 September 2015	4.48

Annual Cap

It is expected that the maximum aggregate annual transaction amounts in respect of leasing services provided by Bailian Group and/or its subsidiaries under the Leasing Framework Agreement for each of the three years ending 31 December 2018 is RMB9 million, which is determined in accordance with:

1. the historical transaction amounts for the leasing of similar premises from Bailian Group and/or its subsidiaries to the Group in the past;
2. the continuous increase in demand for premises for development of operations of the Company in different areas resulting from the continuous growth in the scale of its business; and
3. the increase of rental cost in recent years, in particular in the commercial areas in Shanghai.

The Directors consider that the above proposed caps in respect of the leasing services by Bailian Group and/or its subsidiaries to the Group are fair and reasonable.

Reasons for and Benefits of Entering into the Leasing Framework Agreement

Bailian Group and its subsidiaries own a number of premises that are situated in the city center of Shanghai where customer flow is frequent. Leasing such premises from Bailian Group and its subsidiaries can facilitate the business development of the Group in these areas.

In light of the above, the Directors are of the view that the terms of the Leasing Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(E) SMART CARDS ARRANGEMENT AGREEMENT

Date

17 November 2015

Parties

- (a) Bailian Group; and
- (b) the Company

Smart Cards Arrangement

Each of the Company and Bailian Group has its own smart cards system which enables its customers to make purchases by using smart cards with prepaid values. Pursuant to the Smart Cards Arrangement Agreement, the parties agreed to accept all payments of purchases from the customers by using the smart cards issued by the other party within their respective sales networks.

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

Term

The Smart Cards Arrangement Agreement is for a term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

Consideration and Payment

1. Each party shall charge the other party a management service fee of not more than 0.5% of such transaction amounts which are attributable to the other party. Such percentage shall be determined by arm's length commercial negotiations between the relevant parties with reference to the gross margin level of companies in the market using smart cards system for settlement of customers' purchases, size of transaction, application conditions and business operation conditions and set out in the individual smart cards arrangement contracts.
2. The fee payable under the Smart Cards Arrangement Agreement is to be made by cash on a monthly basis.

Internal Control and Pricing Policy

In order to ensure that the terms for the management services provided by the relevant subsidiaries of each party are not be less favourable than those available from independent third parties, the Group have adopted the following measures:

1. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions;
2. the prices for the management services are negotiated on arm's length basis and on terms no less favorable than the prices of comparable services provided by independent third parties to the Group (the Group will seek to obtain the prices of relevant comparable services provided by at least two independent third parties) ensure that the most favourable terms are obtained;
3. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. the Company's Audit Committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company and/or its relevant subsidiaries; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Historical Amount

The historical transaction amounts for the management services between the Company and Bailian Group are as follows:

For the year/period ended	Fee paid by Bailian Group to the Company (Million RMB)	Fee paid by the Company to Bailian Group (Million RMB)
31 December 2013	16.13	13.83
31 December 2014	13.21	12.67
30 September 2015	13.57	3.52

Annual Cap

It is expected that the maximum aggregate annual transaction amounts in respect of the Smart Cards Arrangement Agreement for each of the three years ending 31 December 2018 are as follows:

For the year ending	Fee payable by Bailian Group to the Company (Million RMB)	Fee payable by the Company to Bailian Group (Million RMB)
31 December 2016	20	20
31 December 2017	20	20
31 December 2018	20	20

The above annual caps are determined in accordance with:

1. the historical transaction amounts for the management services provided by the relevant subsidiaries of each party;
2. the popularity in the use of smart cards in the Yangtze Delta Region of the PRC; and
3. the continuous growth in the smart card market in the PRC.

The Directors consider that the above proposed caps in respect of the management services by the relevant subsidiaries of each party are fair and reasonable.

Reasons for and Benefits of Entering into the Smart Cards Arrangement Agreement

Due to the high market branding of the Company and Bailian Group, their extensive commercial and retail networks and their broad and loyal customer bases, the cooperation between the Company and Bailian Group under the Smart Cards Arrangement Agreement can facilitate them to utilize the brand recognition and network resources of each other more effectively.

In light of the above, the Directors are of the view that the terms of the Smart Cards Arrangement Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(F) FINANCIAL SERVICES AGREEMENT

Date

17 November 2015

Parties

- (a) the Company;
- (b) Bailian Group; and
- (c) Bailian Finance

Term

The Financial Services Agreement is for a term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

Major Terms

1. Bailian Finance shall provide the Group with the following major services subject to the terms and conditions provided therein:
 - (i) financial and financing consultation, credit certification and other relevant advisory and agency services;
 - (ii) assistance in receipt and payment of transaction monies;
 - (iii) insurance agency services;
 - (iv) provision of guarantees to the Group;
 - (v) entrusted loans services;
 - (vi) draft acceptance and discount services;
 - (vii) settlement services including payment and clearance services;
 - (viii) deposit services;
 - (ix) loan and financial leasing services;
 - (x) other financial services at the request of the Company provided that the relevant approvals from the CBRC are obtained.
2. Deposit cap: the maximum daily balance of the Group's deposits with Bailian Finance (including any interest accrued therefrom) for each of the three years ending 31 December 2018 is RMB1.2 billion.

3. Bailian Finance has undertaken to adhere to the principles below in relation to the provision of the afore-mentioned financial services to the Group:
 - (i) the interest rate payable by Bailian Finance to the Group for any deposits shall not be lower than the unified interest rate for comparable deposits as announced by the PBOC and shall not be lower than the interest rate paid by other major commercial banks in the PRC for comparable deposits;
 - (ii) the interest rate to be charged for loans to be granted to the Group by Bailian Finance shall not be higher than the unified lending rate as announced by the PBOC during the same period and shall not be higher than the lending rate charged by other major commercial banks in the PRC for comparable loans;
 - (iii) the service fees to be charged by Bailian Finance for the provision of other financial services to the Group, other than the deposit and loan services, shall not be higher than the service fees charged by other financial institutions in the PRC for comparable services, and the total service fees to be charged by Bailian Finance for the provision of other financial services to the Group shall not be more than RMB3 million per year; and
 - (iv) the terms of services to be provided to the Group by Bailian Finance shall be no less favourable than those of comparable services provided by other financial institutions in the PRC.
4. Bailian Group has made, among others, the following undertakings to the Company in the Financial Services Agreement:
 - (i) it will procure Bailian Finance to perform its obligations and undertakings under the Financial Services Agreement; and
 - (ii) it will guarantee the payment of all the Group's deposits (including any interest accrued therefrom) deposited with Bailian Finance in the event of default of payment by Bailian Finance to the Company.
5. The Company and Bailian Finance will enter into individual financial services agreements for specific financial services. Such terms will be consistent with the principles of the Financial Services Agreement. If there is any conflict between the terms of an individual financial services agreement and the Financial Services Agreement, the latter shall prevail.

Capital Risk Control Measures

1. Bailian Finance shall ensure the safety, liquidity and reasonable profit generation of the Group's deposited funds.
2. Bailian Finance shall ensure efficient, prompt and safe settlement of the Group's funds with the use of Bailian Finance's internet banking system and its direct business connection technology and service platform.

3. Bailian Finance shall implement periodic evaluation system and establish internal control system and risk monitoring indicators to ensure the secure operation of its fund settlement and clearance network, protect the safety of funds, control risk exposure and satisfy the withdrawal requests from the Group for any deposited funds.
4. Bailian Finance shall ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC and other relevant laws and regulations.
5. Bailian Finance shall provide annual audit reports periodically to the Company and other financial reports upon the Company's request, and shall report its operation and financial condition to the Company periodically and authorize the Company's auditor to review and inspect its relevant accounting records so as to allow the Company to fulfill certain requirements of the Listing Rules.

Historical Amount

The historical transaction amounts for the deposit services provided by Bailian Finance are as follows:

For the year/period ended	Maximum daily balance of the Group's deposits (Million RMB)
31 December 2013	315.37
31 December 2014	831.23
30 September 2015	691.86

Proposed Caps

Deposit Services:

The proposed caps in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Bailian Finance is RMB1.2 billion for each of the three years ending 31 December 2018 after taking into account of the following:

1. the historical maximum daily deposit balance placed by the Group in Bailian Finance in the past, which was approximately RMB0.32 billion, RMB0.83 billion and RMB0.69 billion as at 31 December 2013, 31 December 2014 and 30 September 2015, respectively;
2. the expected demand for cashflow of the Group for each of the three years ending 31 December 2018 after considering the operation and development plan of the Company;
3. the increasing asset and operation scale and the expected amount of cash of the Group available for deposit;
4. the expected amount of interest income from Bailian Finance taking into account the interest income that could otherwise be obtained by placing comparable amount of deposits with other major commercial banks in the PRC; and

5. the strategies for treasury management of the Company taking into account the business development plans and the financial needs of the Group.

The Directors (excluding the independent non-executive Directors, whose views will be contained in the circular after considering the advice from the independent financial advisor) consider that the above proposed caps in respect of the deposit service are fair and reasonable.

Loan Services:

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

The Directors (including the independent non-executive Directors) consider that the loan services to be provided under the Financial Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Other Services:

Apart from the deposit services and the loan services, other financial services which may be provided by Bailian Finance to the Company mainly include entrusted loans services, settlement services, draft acceptance and discount services, financial leasing services, and so forth.

The other financial services to be provided under the Financial Services Agreement will be on normal commercial terms and on terms similar to or even more favourable than those offered by other major commercial banks in the PRC. The Directors (including the independent non-executive Directors) consider that the other financial services provided under the Financial Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

The Company expects that each of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the total fees payable by the Company to Bailian Finance for the provision of other financial services under the Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the total fees payable by the Company to Bailian Finance for the provision of other financial services under the Financial Services Agreement exceed the relevant de minimis threshold.

Internal Control on Pricing

The interest rates for deposit, loan and the service fee for other financial services are arrived at after considering the interest rates and service fee charged by/offered by other major commercial banks in the PRC for provision of similar level of loans, deposit and financial services.

There are stringent internal control policies with regard to financial service transactions. The finance department of the Company would compare the deposit rates quoted from other independent third parties (including at least three financial institutions and commercial banks in the PRC) to ensure that the most favourable terms are obtained from Finance Company.

In addition, the transactions will be reported to and approved by the head of the finance department of the Company. The internal control policies will also be applied to the transactions with Finance Company to ensure the interest rate payable for the Company's deposits with Finance Company shall not be lower than the interest rate payable by other independent commercial banks for comparable deposits.

By adopting the policy set out above, the Company can ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the interest rate offered by other independent commercial banks for comparable deposits in the PRC; and (ii) the loan interest rates and service fee charged by Finance Company shall not be higher than that charged by other independent commercial banks for providing comparable loans and services in the PRC.

Reasons for and Benefits of Entering into the Financial Services Agreement

1. The interest rates on deposits and loans to be offered by Bailian Finance to the Group will be equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans;
2. Bailian Finance is established as a non-banking financial institution regulated by the PBOC and the CBRC and provides its services in accordance with the rules and operational requirements of these regulatory authorities. In addition, capital risks are reduced through the introduction of the risk control measures stipulated in the Financial Services Agreement;
3. Bailian Group has undertaken to guarantee repayment of all the Group's deposits (including any interest accrued therefrom) deposited with Bailian Finance;
4. The Company is expected to benefit from Bailian Finance's better understanding of the operations of the Company which will allow more expedient and efficient services than those rendered by other PRC commercial banks. For example, in the event that the Company considers that it is necessary to obtain loan and guarantee from Bailian Finance in view of its business and financial needs, it is expected that the time required for the examination and approval of the loans and guarantee to be provided by Bailian Finance will be shorter than that required by other commercial banks; and
5. By entering into the Financial Services Agreement with Bailian Group and Bailian Finance, the Company will be able to centralize its control and management over the financial resources of the Group, therefore improve the utilization and efficiency of fund usage and mitigate its operating risks. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation. Meanwhile, the financial services to be provided under the Financial Services Agreement are diversified and can meet the business needs of the Company.

In view of the above, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular after considering the advice from the independent financial advisor) are of the view that the capital risk control measures under the Financial Services Agreement are adequate to cover the risks involved in depositing funds of the Group with Bailian Finance, the terms of the Financial Services Agreement are fair and reasonable and the Financial Services Agreement is entered into on normal commercial terms, and on terms no less favourable than those available from independent third parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY, BAILIAN GROUP AND BAILIAN FINANCE

Information of the Company

The Company is principally engaged in retail chain business and the operation of hypermarkets, supermarkets and convenience stores in the PRC.

Information of Bailian Group

Bailian Group is principally engaged in businesses relating to domestic trading, provision of production information, logistics and development of commercial properties.

Information of Bailian Finance

Bailian Finance is a non-banking financial institution established in the PRC. As at the date of this announcement, its registered capital is RMB500 million, 60% of which was contributed by Bailian Group, and 40% by Shanghai Bailian. The principal business of Bailian Finance includes the provision of, among others, deposit services, loan services, entrusted loan services and settlement services.

BOARD'S APPROVAL

The Directors (including the independent non-executive Directors) consider that the entering into of each of the Agreements is in the ordinary and usual course of business of the Group and believe that the terms of each of the Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has approved the each of the Agreements and the Financial Services Agreement and none of the Directors has any material interest in the transaction contemplated thereunder. Since Mr. Chen Jian-jun, Mr. Hua Guoping, Ms. Qi Yue-hong, Mr. Zhou Zhong-qi, Mr. Shi Hao-gang, Mr. Li Guo-ding and Ms. Wu Jie-qing are either holding senior positions or are directors in the subsidiaries of Bailian Group, they have abstained from voting on the relevant written resolution of the Board to approve each of the Agreements and the Financial Services Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the provision of deposit services under the Financial Services Agreement is more than 25%, the provision of deposit services under the Financial Services Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Bailian Group is a substantial shareholder of the Company and Bailian Finance is a subsidiary of Bailian Group. Accordingly, Bailian Finance and Bailian Group are connected persons of the Company. Therefore, the Agreements and the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios for the transactions under each of the Agreements are more than 0.1% but less than 5%, the transactions contemplated under the Agreements are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As two of the applicable percentage ratios for the provision of deposit services under the Financial Services Agreement is more than 5%, the provision of deposit services under the Financial Services Agreement are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The loan services to be provided by Bailian Finance to the Group under the Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent Shareholders' approval requirements.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Company to Bailian Finance in respect of the provision of other financial services under the Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the total fees payable by the Company to Bailian Finance for the provision of other financial services under the Financial Services Agreement exceed the relevant de minimis threshold.

The Company will also disclose the relevant details of the Agreements and the Financial Services Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

The Company will hold an EGM to consider and approve the provision of deposit services under the Financial Services Agreement. Bailian Group and its Associates shall abstain from voting at the EGM for the approval of the resolutions relating to the deposit services under the Financial Services Agreement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

An independent board committee comprising all the independent Directors (who have no material interest in the Financial Services Agreement) will be formed to advise the independent Shareholders on the provision of deposit services under the Financial Services Agreement.

The Company will appoint an independent financial advisor to advise the Independent Board Committee of the Company and the independent Shareholders on the provision of deposit services under the Financial Services Agreement.

DESPATCH OF CIRCULAR

A circular containing details of the provision of deposit services under the Financial Services Agreement, a letter from the independent board committee of the Company and a letter from the independent financial advisor, both advising the provision of deposit services under the Financial Services Agreement, and the notice of the EGM will be despatched to the Shareholders in accordance with the Listing Rules on or before 8 December 2015.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Agreements”	:	the Property Management Framework Agreement, the Supply of Resources Framework Agreement, the Supply of Goods Framework Agreement, the Leasing Framework Agreement and the Smart Cards Arrangement Agreement
“Associates”	:	has the meaning ascribed to it in the Listing Rules
“Bailian Finance”	:	Bailian Group Finance Co., Ltd. (百聯集團財務有限責任公司), a subsidiary controlled by Bailian Group.
“Bailian Group”	:	Bailian Group Co., Ltd (百聯集團有限公司)
“Board”	:	the board of Directors
“CBRC”	:	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	:	Lianhua Supermarket Holdings Co., Ltd, a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange
“continuing connected transaction”	:	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	:	has the meaning ascribed to it under the Listing Rules
Director(s)”	:	the director(s) of the Company

“EGM”	:	the extraordinary general meeting of the Company to be held to consider and approve, among others, the provision of deposit services under the Financial Services Agreement
“Financial Services Agreement”	:	the financial services agreement dated 17 November 2015 entered into between the Company, Bailian Group and Bailian Finance in relation to provision of financial services by Bailian Finance to the Group
“Group”	:	the Company and its subsidiaries
“H Share(s)”	:	overseas listed foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“Leasing Framework Agreement”	:	the leasing framework agreement dated 17 November 2015 entered into between the Company and Bailian Group in relation to the lease of certain premises
“Listing Rules”	:	The Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	:	People’s Bank of China (中國人民銀行)
“PRC”	:	the People’s Republic of China
“Property Management Framework Agreement”	:	the property management framework agreement dated 17 November 2015 entered into between the Company and Bailian Group in relation to the provision of property management services
“RMB”	:	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	:	the shareholder(s) of the Company
“Shanghai Bailian”	:	Shanghai Bailian Group Co., Limited* (上海百聯集團股份有限公司) (formerly known as Shanghai Friendship Group Incorporated Company (上海友誼集團股份有限公司), a controlling Shareholder of the Company
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited

“subsidiary” or “subsidiaries”	:	has the meaning defined in the Companies Ordinance (Cap.32 of the Laws of Hong Kong)
“Smart Cards Arrangement Agreement”	:	the smart cards arrangement agreement dated 17 November 2015 entered into between the Company and Bailian Group in relation to the arrangements for the use of smart cards by the customers for making purchases
“Supply of Goods Framework Agreement”	:	the supply of goods framework agreement dated 17 November 2015 entered into between the Company and Bailian Group in relation to the supply of various kinds of goods, including but not limited to dried meat products, electrical appliances, electrical components, kitchen products, cosmetic products, sanitary products, household products and sports products to the Company
“Supply of Resources Framework Agreement”	:	the supply of resources framework agreement dated 17 November 2015 entered into between the Company and Bailian Group in relation to the supply of various kinds of resources, including but not limited to office utilities, electrical appliances, industrial products, equipment, resources and components parts for the daily operation of the Company
“%”	:	Percentage

By order of the Board
Ye Yong-ming
Chairman

Shanghai, the People’s Republic of China, 17 November 2015

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

Executive directors: *Qi Yue-hong*

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

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