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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00980)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

GOODS SUPPLY FRAMEWORK AGREEMENT

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

WAREHOUSE LEASING FRAMEWORK AGREEMENT

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

LOGISTICS AND DELIVERY SERVICES FRAMEWORK AGREEMENT

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under each of the Goods Supply Framework Agreement, Warehouse Leasing Framework Agreement and Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

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

I. GOODS SUPPLY FRAMEWORK AGREEMENT

The principal terms of the Goods Supply Framework Agreement are set out as below:

Date

5 December 2019

Parties

- (1) The Company (as the supplier); and
- (2) Bailian Group (as the purchaser)

Term

The Goods Supply Framework Agreement is for a term commencing from 1 January 2020 to 31 December 2022 (both days inclusive).

Supply of Goods

The Company and its subsidiaries agreed to supply various kinds of goods, including but not limited to foods and fresh produce, to Bailian Group and its subsidiaries.

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

Consideration and Payment

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

Historical Amounts

The Company has conducted similar transactions with Bailian Group with respect to goods supply in the past. On 5 December 2016, the Company entered into the Sales Framework Agreement with Hualian GMS, a subsidiary of Bailian Group, pursuant to which, the Company agreed to supply various kinds of goods to Hualian GMS, including but not limited to fresh produce and foods, to Hualian GMS commencing from 1 January 2017 and ending on 31 December 2019. Please refer to the announcement of the Company dated 5 December 2016 for further details.

The historical amount paid by Hualian GMS to the Company for the purchase of goods under the Sales Framework Agreement for the years ended 31 December 2017 and 2018 and the period from 1 January 2019 to 31 October 2019 was RMB11.7 million, RMB15.5 million and RMB12.0 million, respectively.

Annual Caps

The respective maximum annual transaction amounts payable by Bailian Group to the Company for the financial years ending 31 December 2020, 2021 and 2022 under the Goods Supply Framework Agreement are set out as follows:

Period	Maximum Transaction Amount (RMB)
From 1 January 2020 to 31 December 2020	50,000,000
From 1 January 2021 to 31 December 2021	60,000,000
From 1 January 2022 to 31 December 2022	60,000,000

Such maximum annual transaction amounts are determined in accordance with:

1. the historical transaction amount for the purchase of goods by Hualian GMS from the Company in the past;
2. the anticipated increase in categories and amounts of fresh produce and food to be purchased by Bailian Group due to its business development from the Company and the anticipated increase in the number of subsidiaries of Bailian Group which will purchase goods from the Company; and
3. the anticipated increasing demand for fresh produce and food in the prevailing markets of the PRC.

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

The entering into of the Goods Supply Framework Agreement will bring a widened distribution channel of the Group's relevant goods and thus enhancing the sales of the Group. In the meantime, the anticipated increase in purchase amount of the Company will also add to the bargaining power of Group to the suppliers, thus lowering the purchasing costs of goods and enhancing profitability of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Goods Supply Framework Agreement are fair and reasonable and on normal commercial terms and are entered into in the ordinary and usual course of the Company's business and in the interests of the Company and the Shareholders as a whole.

Internal Control and Pricing Policy

In order to ensure that the terms provided by the Company under the Goods Supply Framework Agreement are not less favourable than those available to independent third parties, the Company has adopted the following measures:

1. the prices for the goods to be supplied by the Company to Bailian Group will be negotiated on arm's length basis which are determined with reference to the purchasing costs of the goods as well as the operation costs (including administrative costs and labour costs, etc.) to be incurred by the Company for supplying goods to Bailian Group under the Goods Supply Framework Agreement, which is estimated to be approximately 6% of the purchasing costs of the Company, and such estimate is arrived at after considering the anticipated administrative and labour costs to be incurred by the Company for supplying goods to Bailian Group;
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 Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for specific transactions are 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
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

II. WAREHOUSE LEASING FRAMEWORK AGREEMENT

Date

5 December 2019

Parties

- (1) The Company (as the lessor); and
- (2) Bailian Group (as the lessee)

Term

The term of the Warehouse Leasing Framework Agreement is for a term commencing from 1 January 2020 to 31 December 2022 (both days inclusive).

Warehouse Leasing Business Cooperation

Pursuant to the Warehouse Leasing Framework Agreement, the Company and its subsidiaries agreed to lease warehouses to Bailian Group and its subsidiaries for use as warehouses, offices or other purposes.

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

Consideration and Payment

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

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

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

Historical Amount

On 20 June 2017, the Company entered into the Previous Warehouse Leasing Framework Agreement with Bailian Group, pursuant to which, the Company agreed to lease warehouses to Bailian Group for use as warehouses, offices or other purposes for a term commencing from 20 June 2017 to 31 December 2019 (both days inclusive).

The historical rental paid by Bailian Group to the Company for renting the warehouses under the Previous Warehouse Leasing Framework Agreement for the years ended 31 December 2017 and 2018 and the period from 1 January 2019 to 31 October 2019 was RMB2.8 million, RMB10.1 million and RMB10.9 million, respectively.

Annual Caps

The respective maximum annual rental payable by Bailian Group to the Company for the financial years ending 31 December 2020, 2021 and 2022 under the Warehouse Leasing Framework Agreement are set out as follows:

Period	Maximum Transaction Amount (RMB)
From 1 January 2020 to 31 December 2020	60,000,000
From 1 January 2021 to 31 December 2021	60,000,000
From 1 January 2022 to 31 December 2022	60,000,000

Such maximum annual transaction amounts are determined in accordance with:

1. Areas of warehouses owned by the Company which are available for lease at present and the rental level of the premises around those warehouses;
2. the continuous increase in business cooperation between the Company and Bailian Group; and
3. the continuous increase in rental cost in recent years in the commercial areas in Shanghai.

Reasons for and Benefits of Entering into the Warehouse Leasing Framework Agreement

By entering into the Warehouse Leasing Framework Agreement, the Company can make better use of its spare warehouses and increase their operational efficiency. As a result, the Company can earn a stable rental income and enhance the stability of the Company's leasing operation as well as the long term development of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Warehouse Leasing Framework Agreement are fair and reasonable and on normal commercial terms and are entered into in the ordinary and usual course of the Company's business and in the interests of the Company and the Shareholders as a whole.

Internal Control and Pricing Policy

In order to ensure that the terms provided by the Company under the Warehouse Leasing Framework Agreement are not less favourable than those available to independent third parties, the Company has adopted the following measures:

1. the rental of warehouses leased by the Company to Bailian Group under the Warehouse Leasing Agreement are negotiated on arm's length basis with reference to the prevailing prices of comparable properties of the Company at the same location leased to at least two to three independent third parties during the same period; the relevant departments and management of the Company (as the case maybe) will examine the rental of warehouses leased by the Company to Bailian Group and ensure that the rental is fair and reasonable, on normal commercial terms and on terms not less favourable than those provided to independent third parties, after considering factors including the terms for leasing comparable properties to other independent third parties;
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 Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for specific transactions are 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
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

III. LOGISTICS AND DELIVERY SERVICES FRAMEWORK AGREEMENT

Date

5 December 2019

Parties

- (1) The Company (as the service provider); and
- (2) Bailian Group (as the service recipient)

Term

The Logistics and Delivery Services Framework Agreement is for a term commencing from 1 January 2019 to 31 December 2021 (both days inclusive).

The Company confirms that the transaction amount under the Logistics and Delivery Services Framework Agreement for the period from 1 January 2019 to the date of this announcement was within the de minimis threshold under Chapter 14A of the Listing Rules.

Logistics and Delivery Services

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

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

Consideration and Payment

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

Historical Amounts

The Company and Bailian Group did not conducted similar transactions as those under the Logistics and Delivery Services Framework Agreement and therefore no historical amounts can be provided.

Annual Caps

The respective maximum annual transaction amounts payable by Bailian Group for the financial years ending 31 December 2019, 31 December 2020 and 31 December 2021 under the Logistics and Delivery Services Framework Agreement are set out as follows:

Period	Maximum Transaction Amount (RMB)
From 1 January 2019 to 31 December 2019	11,000,000
From 1 January 2020 to 31 December 2020	30,000,000
From 1 January 2021 to 31 December 2021	50,000,000

Such maximum annual transaction amounts are determined in accordance with:

1. the anticipated demands of Bailian Group and its subsidiaries for logistics and delivery services; and
2. the enlarged scope of cooperation with Bailian Group and its subsidiaries in line with the development of such business.

Reasons for and Benefits of Entering into the Logistics and Delivery Services Framework Agreement

The Company is equipped with professional service team specifically for the storage and delivery services in retail business, capabilities and experiences of professional logistics and delivery services as well as spare logistics and delivery resources. The entering into of the Logistics and Delivery Services Framework Agreement will enhance the utilization efficiency of the logistics and delivery services resources of the Company, which will in turn increase the revenue of the Company and promote the long-term development of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Logistics and Delivery Services Framework Agreement are fair and reasonable and on normal commercial terms and are entered into in the ordinary and usual course of the Company's business and in the interests of the Company and the Shareholders as a whole.

Internal Control and Pricing Policy

In order to ensure that the terms provided by the Company under the Logistics and Delivery Services Framework Agreement are not less favourable than those available to independent third parties, the Company has adopted the following measures:

1. the prices for the services will be negotiated on arm's length basis and at prices with reference to the internal logistics expenses of the Company and the prices of provision of the same or similar services charged by the Company to no less than two independent third parties in the market;

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 Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for specific transactions are 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
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

IV. LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under each of the Goods Supply Framework Agreement, Warehouse Leasing Framework Agreement and Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

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

V. BOARD'S APPROVAL

The Board has approved the entering into of the Goods Supply Framework Agreement, Warehouse Leasing Framework Agreement and Logistics and Delivery Services Framework Agreement and their respective annual caps, and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Mr. Ye Yong-ming, Ms. Xu Zi-ying, Mr. Xu Tao, Mr. Qian Jian-qiang and Ms. Zheng Xiao-yun are either holding senior positions or are directors in Bailian Group and/or its subsidiaries, they have abstained from voting on the relevant resolutions of the Board to approve the entering into of the Goods Supply Framework Agreement, Warehouse Leasing Framework Agreement and Logistics and Delivery Services Framework Agreement.

VI. GENERAL INFORMATION

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

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

VII. DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Bailian Group”	Bailian Group Co., Ltd.* (百聯集團有限公司), a limited liability company incorporated in the PRC and a substantial Shareholder
“Board”	the board of Directors
“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

“Director(s)”	the director(s) of the Company
“Goods Supply Framework Agreement”	the goods supply framework agreement entered into between the Company and Bailian Group on 5 December 2019, details of which are disclosed in this announcement
“Group”	the Company and its subsidiaries
“H Share(s)”	the 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
“Hualian GMS”	Hualian GMS Shopping Center Co., Ltd* (華聯集團吉買盛購物中心有限公司), a subsidiary of Bailian Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Logistics and Delivery Services Framework Agreement”	the logistics and delivery services framework agreement entered into between the Company and Bailian Group on 5 December 2019, details of which are disclosed in this announcement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Warehouse Leasing Framework Agreement”	the warehouse leasing framework agreement dated 20 June 2017 entered into between the Company and Bailian Group, details of which are disclosed in the announcement of the Company dated 20 June 2017

“Sales Framework Agreement”	the sales framework agreement entered into between the Company and Bailian Group on 5 December 2016, details of which were disclosed in the announcement of the Company dated 5 December 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warehouse Leasing Framework Agreement”	the warehouse leasing framework agreement dated 5 December 2019 entered into between the Company and Bailian Group, details of which are disclosed in this announcement
“%”	per cent

By order of the Board
Lianhua Supermarket Holdings Co., Ltd.
Hu Li-ping
Company Secretary

Shanghai, the PRC, 5 December 2019

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

Executive Director:

Xu Tao;

Non-executive Directors:

Ye Yong-ming, Xu Zi-ying, Xu Hong, Qian Jian-qiang, Zheng Xiao-yun and Wong Tak Hung;

Independent Non-executive Directors:

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

* *for identification purposes only*