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

CONNECTED TRANSACTION INCREASE OF CAPITAL CONTRIBUTION OF BAILIAN FINANCIAL SERVICES

On 30 December 2019, the Company entered into the Capital Increase Agreement with Bailian Group, Shanghai Bailian, Bailian Omni-channel and Bailian Financial Services, pursuant to which, the Company, Bailian Group, Shanghai Bailian and Bailian Omni-channel, as the shareholders of Bailian Financial Services, agreed to make a capital contribution to Bailian Financial Services in proportion to their current shareholding percentages.

As at the date of this announcement, Bailian Group is a substantial Shareholder and holds 72.353% of the equity interest in Bailian Financial Services. Therefore, Bailian Financial Services is an associate of Bailian Group and is a connected person of the Company. As such, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company.

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

I. INTRODUCTION

On 30 December 2019, the Company entered into the Capital Increase Agreement with Bailian Group, Shanghai Bailian, Bailian Omni-channel and Bailian Financial Services, pursuant to which, the Company, Bailian Group, Shanghai Bailian and Bailian Omni-channel, as the shareholders of Bailian Financial Services, agreed to make a capital contribution to Bailian Financial Services in proportion to their current shareholding percentages.

As at the date of this announcement, the Company, Bailian Group, Shanghai Bailian and Bailian Omni-channel holds 11.765%, 72.353%, 5.882% and 10% of the equity interest in Bailian Financial Services.

II. CAPITAL INCREASE AGREEMENT

Date

30 December 2019

Parties

- (1) The Company;
- (2) Bailian Group;
- (3) Shanghai Bailian;
- (4) Bailian Omni-channel; and
- (5) Bailian Financial Services

Subject Matter

As at the date of this announcement, the registered capital of Bailian Financial Services is RMB240.25 million. The Company, Bailian Group, Shanghai Bailian and Bailian Omni-channel, as the shareholders of Bailian Financial Services, agreed to increase the registered capital of Bailian Financial Services to RMB680.25 million, in proportion to their current shareholding percentages.

The table below sets out the details of the capital contribution made by each of the Company, Bailian Group, Shanghai Bailian and Bailian Omni-channel under the Capital Increase Agreement and the shareholding percentages before and after the Capital Increase.

Shareholder	Shareholding before the Capital Increase (%)	Capital contribution in the Capital Increase (RMB million)	Shareholding upon completion of the Capital Increase (%)
The Company	11.765	51.77	11.765
Bailian Group	72.353	318.35	72.353
Shanghai Bailian	5.882	25.88	5.882
Bailian Omni-channel	10	44	10
Total	100	440	100

The amount of the capital contributions under the Capital Increase Agreement was determined after arm's length negotiations among the parties and taking into account various factors, including the nature of the business, the demand for working capital and future development plans of Bailian Financial Services.

Consideration and Payment

The Company, Bailian Group, Shanghai Bailian and Bailian Omni-channel shall pay their respective capital contribution in cash to the designated account of Bailian Financial Services before 30 June 2020 after the entering into of the Capital Increase Agreement.

The capital contribution of the Company will be financed by its self-raised funds.

III. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

Bailian Financial Services is a financial investment and operation platform of Bailian Group, and through the combination of technology and finance, integrates and builds a financial services company that integrates online and offline services and covers financial businesses such as consumption finance, payment, supply chain finance and wealth management so as to provide consumers and enterprises with multi-scenario financial service experiences. Meanwhile, it also continuously accumulates the technical capabilities to serve non-financial enterprises and cities to provide a wider range of financial and technology services for the whole society in order to enhance its financial value and platform value.

The entering into of the Capital Increase Agreement and the Capital Increase contemplated thereunder will increase the liquidity of Bailian Financial Services to fund its business innovation and transformation. The continuous development of Bailian Financial Services will enhance the future investment return of the Company as well as support and promote the further development of e-commerce business of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement are fair and reasonable and on normal commercial terms, and the Capital Increase contemplated thereunder, although not conducted in the ordinary and usual course of the business of the Company, is in the interests of the Company and its Shareholders as a whole.

IV. INFORMATION OF BAILIAN FINANCIAL SERVICES

Bailian Financial Services was incorporated in the PRC on 4 December 2006. It is principally engaged in e-commerce, financial services and third-party payment business. As at the date of this announcement, Bailian Financial Services is a subsidiary of Bailian Group.

The audited financial information of Bailian Financial Services for the years ended 31 December 2017 and 2018 is set out in the following table (prepared in accordance with China Accounting Standards for Business Enterprises) ^{Note}:

	For the years ended	
	31 December	
	2017	2018
	<i>(RMB)</i>	
Net Profits (before taxation and extraordinary items)	257,680,019.88	174,489,905.65
Net Profits (after taxation and extraordinary items)	197,199,449.40	131,917,597.12

According to the audited financial statements of Bailian Financial Services for the year ended 31 December 2018, the book value of the net assets of Bailian Financial Services ^{Note} amounted to RMB1,228,562,507.28 as at 31 December 2018.

Note: The above financial data is the audited consolidated financial data of Bailian Financial Services in 2017 and 2018.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group is a substantial Shareholder and holds 72.353% of the equity interest in Bailian Financial Services. Therefore, Bailian Financial Services is an associate of Bailian Group and is a connected person of the Company. As such, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company.

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

VI. BOARD'S APPROVAL

The Board has approved the entering into of the Capital Increase Agreement, and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Mr. Ye Yong-ming, Ms. Xu Zi-ying, Mr. Qian Jian-qiang, Mr. Xu Tao 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 Capital Increase Agreement.

VII. 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.

Shanghai Bailian is principally engaged in in retail chain business, including the operation of department stores, chain supermarkets, shopping centres and outlets in the PRC.

Bailian Omni-channel is a wholly-owned subsidiary of Bailian Group, principally engaged in e-commerce business platform and regional O2O omni-channel service operation in the e-commerce project of Bailian Group.

VIII. DEFINITIONS

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

“Bailian Financial Services”	Bailian Financial Services Co., Ltd.* (百聯金融服務有限公司), a limited liability company incorporated in the PRC and a subsidiary of Bailian Group
“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

“Bailian Omni-channel”	Bailian Omni-channel Electronic Commerce Co., Ltd.* (百聯全渠道電子商務有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Bailian Group
“Board”	the board of Directors
“Capital Increase”	the proposed capital increase to Bailian Financial Services contemplated under the Capital Increase Agreement by the Company, Bailian Group, Shanghai Bailian, Bailian Omni-channel
“Capital Increase Agreement”	the capital increase agreement entered into among the Company, Bailian Group, Shanghai Bailian, Bailian Omni-channel and Bailian Financial Services dated 30 December 2019, details of which are disclosed in the announcement
“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Bailian”	Shanghai Bailian Group Co., Limited* (上海百聯集團股份有限公司), a joint stock limited liability company incorporated in the PRC and a substantial Shareholder
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Shanghai, the PRC, 30 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*