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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

INVESTMENT AND WEALTH MANAGEMENT COOPERATION FRAMEWORK AGREEMENT

On 23 April 2021, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement with Shanghai Securities, pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, for a term commencing from 23 April 2021 to 31 December 2023 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group is a substantial Shareholder of the Company, and Shanghai Securities is a subsidiary of Bailian Group. As such, Shanghai Securities is a connected person of the Company. Accordingly, the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed annual caps for the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement is more than 25% but less than 100%, the investment and wealth management cooperation contemplated under the Investment and Wealth Management Cooperation Framework 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 the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed annual caps for the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement is more than 5%, the investment and wealth management cooperation contemplated under the Investment and Wealth Management Cooperation Framework Agreement and the proposed annual caps thereof is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Shareholders will consider and, if appropriate, to approve, among others, the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps) at the AGM of the Company. For details including the date of the AGM, please refer to the notice of the AGM to be issued by the Company in due course. The circular will be issued by the Company and despatched to the Shareholders on or before 27 May 2021.

I. INVESTMENT AND WEALTH MANAGEMENT COOPERATION FRAMEWORK AGREEMENT

On 23 April 2021, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement with Shanghai Securities, pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, for a term commencing from 23 April 2021 to 31 December 2023 (both days inclusive).

The principal terms of the Investment and Wealth Management Cooperation Framework Agreement are set out as below:

Date

23 April 2021

Parties

- (1) The Company; and
- (2) Shanghai Securities

Term

The Investment and Wealth Management Cooperation Framework Agreement is for a term commencing from 23 April 2021 to 31 December 2023 (both days inclusive).

Investment and Wealth Management Cooperation

Pursuant to the Investment and Wealth Management Cooperation Framework Agreement, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, including but not limited to investment products, entrusted investment services and other investment cooperation.

(1) *Investment Products*

Shanghai Securities may from time to time recommend and provide its investment products (including but not limited to trust products, monetary funds and asset management plans) to the Group. Assuming the commercial terms offered by Shanghai Securities are comparable to those offered by other independent third parties in the PRC, the Group shall consider the investment products offered by Shanghai Securities on a preferred basis. The Group will purchase the investment products with its legally owned funds pursuant to the specific purchase agreements to be entered into between the Group and Shanghai Securities.

Taking into account the reputation, the asset scale and the investment management experience of Shanghai Securities, the Company is of the view that with equivalent terms and conditions provided by Shanghai Securities, it will be fair and reasonable and in the interests of the Company and its Shareholders as a whole to consider the investment products provided by Shanghai Securities on a preferred basis.

(2) *Entrusted Investment Services*

The Group will entrust its legally owned funds to Shanghai Securities and Shanghai Securities will provide entrusted investment services (including but not limited to asset-backed securitization service) to the Group pursuant to the specific entrusted investment agreements to be entered into between the Group and Shanghai Securities.

(3) *Other Investment Cooperation*

The Group and Shanghai Securities may initiate other investment cooperation through negotiation in compliance with relevant laws and regulations.

Consideration and Payment

The pricing of the investment products and entrusted investment services under the Investment and Wealth Management Cooperation Framework Agreement shall be jointly determined by the Group and Shanghai Securities through negotiation on the basis of the market price of the same industry and the principle of fairness and reasonableness, and with reference to the prevailing market terms of similar investment products or entrusted investment services offered by other independent financial institutions in the PRC at the time of entering into the specific agreements under the Investment and Wealth Management Cooperation Framework Agreement. Shanghai Securities has agreed that, in principle, the terms and conditions of the investment products and entrusted investment services offered by Shanghai Securities to the Group shall be no less favourable than those offered by Shanghai Securities to other independent third parties in respect of similar investment products or entrusted investment services. In addition, with a view to ensure the terms and conditions offered by Shanghai Securities will be at least equivalent to those offered by other financial institutions in the PRC, the Company has adopted the internal control measures as disclosed in the section headed “Internal Control and Pricing Policy” below.

The payment shall be made by bank transfer and shall be settled according to the specific situation of each transaction, which shall be in line with the market practice of each specific transaction. Details of the payment terms (including the amount and expenses, payment method and payment time) shall be specified in the individual agreements to be entered into between both parties.

Taking into account that the pricing is negotiated on an arm’s length basis with relevant internal control measures adopted by the Company as disclosed in the section headed “Internal Control and Pricing Policy” below, the Company believes that the transactions to be conducted under the Investment and Wealth Management Cooperation Framework Agreement will be based on normal commercial terms and that the pricing basis thereof is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

Historical Amount

The Company and Shanghai Securities did not conduct any similar transactions as those under the Investment and Wealth Management Cooperation Framework Agreement in the past. Therefore, there is no historical amount to be provided.

Proposed Annual Caps and Basis for Proposed Annual Caps

Pursuant to the Investment and Wealth Management Cooperation Framework Agreement, the maximum daily investment balance (including expected accrued investment returns) of the Group with Shanghai Securities under the Investment and Wealth Management Cooperation Framework Agreement for each of the three years ending 31 December 2023 are RMB1,000 million, which is determined in accordance with the following factors:

1. The Company proposed to adjust the capital structure and use the cash and bank balance of the Group for financial investment to realize the maximization of capital interests and returns to Shareholders. As at 31 December 2020, the cash and bank balance of the Group amounted to approximately RMB7,766 million.
2. In addition, with a view to ensure the stable operation of the Group, after taking into account the financial resources, monetary fund and operation needs of the Group, the annual caps are set at RMB1,000 million, which represent less than 15% of the cash and bank balance of the Group as at 31 December 2020 and therefore the Directors are of the view that the annual caps are set at a reasonable level and the remaining cash and bank balance of the Group will still be able to meet the Group's operational needs. Besides, before making decisions to enter into any specific purchase agreements or entrusted investment service agreements, the management of the Company will take into consideration a series of factors, such as the then cash and bank balance of the Group, the operation capital requirements and debt level of the Group.

The Directors (excluding the independent non-executive Directors, whose opinion on the matters will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) consider that the above proposed annual caps in respect of the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement are fair and reasonable.

Reasons for and Benefits of Entering into the Investment and Wealth Management Cooperation Framework Agreement

Considering that the cash and bank balance of the Group has amounted to approximately RMB7,766 million as at 31 December 2020 and that the interest rate for fixed term deposit in commercial banks is experiencing a downturn as affected by the macro-economy, the Company proposed to adjust the capital structure and allocate part of the cash and bank balance of the Group for financial investment, which will bring higher returns to the Group compared with fixed term deposits in commercial banks in the PRC. In order to realize the maximization of capital interests with controllable risks, the Group has conducted detailed investigation and comparison in the market. Having considered that Shanghai Securities is one of the most reputable securities companies in the PRC with abundant investment management experiences and the investment risk of the investment products and entrusted investment services provided by Shanghai Securities are quite low based on its historic record, ranking, asset scale and reputation, the Directors are of the view that the financial investment cooperation with Shanghai Securities will enable the Group to effectively improve the efficiency of capital use, better operate the self-owned funds, and realize the maximization of capital interests with controllable risks.

In view of the above, the Directors (excluding the independent non-executive Directors, whose opinion on the matters will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) are of the view that the terms of the Investment and Wealth Management Cooperation Framework Agreement are fair and reasonable, are entered into on normal commercial terms in the ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole.

Internal Control and Pricing Policy

The Company has adopted the following internal control measures to ensure that the continuing connected transactions are in accordance with the terms of the Investment and Wealth Management Cooperation Framework Agreement and in compliance with the Listing Rules:

1. the cash settlement personnel of the finance department of the Company will investigate the market terms and conditions, obtain quotations from other independent financial institutions in the PRC, and compare the terms and conditions offered by Shanghai Securities with those offered by other independent financial institutions in the PRC, as so to ensure that the terms and conditions offered by Shanghai Securities are no less favourable than those offered by other independent financial institutions in the PRC in respect of similar investment products or entrusted investment services; in addition, the cash settlement personnel of the finance department of the Company will also compare the terms and conditions offered by Shanghai Securities to the Group with those offered by Shanghai Securities to other independent third parties, so as to ensure that the terms and conditions offered by Shanghai Securities to the Group are no less favourable than those offered by Shanghai Securities to other independent third parties in respect of similar investment products or entrusted investment services;
2. the cash settlement personnel of the finance department of the Company will record the investment balance (including expected accrued investment returns) of the Group with Shanghai Securities under the Investment and Wealth Management Cooperation Framework Agreement on a daily basis to ensure that the maximum daily investment balance (including expected accrued investment returns) does not exceed RMB1,000 million;

3. the head of the finance department of the Company will provide advice to the management of the Company who is responsible for approving the entering into of each specific purchase agreement or entrusted investment agreement with Shanghai Securities after reviewing (i) the terms and conditions comparison conducted by the cash settlement personnel as mentioned in paragraph (1) above, (ii) the current operating cash requirements of the Group, and (iii) the investment balance (including expected accrued investment returns) of the Group with Shanghai Securities compared to the cash balance of the Group at that time; in addition, the head of the finance department of the Company will also monitor and ensure that the continuing connected transactions are carried out in accordance with the terms of the Investment and Wealth Management Cooperation Framework Agreement;
4. the external auditors of the Company will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
5. the audit committee of the Company 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
6. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

II. GENERAL INFORMATION

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

Shanghai Securities is a subsidiary of Bailian Group, principally engaged in securities business. As at the date of this announcement, Shanghai Securities is held as to 50%, 24.99%, 16.33% and 7.68% by Bailian Group (a company directly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), Guotai Junan Securities Co., Ltd. (the H shares of which are listed on the Stock Exchange under the stock code 02611 and the A shares of which are listed on the Shanghai Stock Exchange under the stock code 601211), Shanghai Sitico Assets Management Co., Ltd.* (上海上國投資產管理有限公司)(a company indirectly 69% held by Shanghai State-owned Assets Supervision and Administration Commission), and Shanghai International Group Co., Ltd.* (上海國際集團有限公司)(a company directly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), respectively.

III. BOARD'S APPROVAL

The Board has approved the entering into of the Investment and Wealth Management Cooperation Framework Agreement and the corresponding 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 (a then Director as at the date of the Board meeting considering the Investment and Wealth Management Cooperation Framework Agreement), Ms. Zhang Shen-yu and Mr. Dong Xiao-chun are either holding senior positions or are directors in Bailian Group and/or its subsidiaries, they have abstained from voting on the relevant resolution of the Board to approve the entering into of the Investment and Wealth Management Cooperation Framework Agreement.

IV. LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group is a substantial Shareholder of the Company, and Shanghai Securities is a subsidiary of Bailian Group. As such, Shanghai Securities is a connected person of the Company. Accordingly, the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed annual caps for the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement is more than 25% but less than 100%, the investment and wealth management cooperation contemplated under the Investment and Wealth Management Cooperation Framework 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 the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed annual caps for the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement is more than 5%, the investment and wealth management cooperation contemplated under the Investment and Wealth Management Cooperation Framework Agreement and the proposed annual caps thereof is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. AGM

The Independent Shareholders will consider and, if appropriate, to approve, among others, the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps) at the AGM of the Company. For details including the date of the AGM, please refer to the notice of the AGM to be issued by the Company in due course.

As at the date of this announcement, Bailian Group and its associates (including Shanghai Bailian), held approximately 513,869,400 Shares, representing 45.90% of the issued share capital of the Company. Shanghai Securities, being a party to the Investment and Wealth Management Cooperation Framework Agreement, have material interests in the relevant continuing connected transactions. Therefore, Bailian Group and its associates (including Shanghai Bailian), being the associates of Shanghai Securities, are required to abstain from voting on the relevant resolution to be proposed at the AGM to approve the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps). Saved as disclosed above, no other Shareholders would be required to abstain from voting to approve the resolution in relation to the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps) at the AGM.

An Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the relevant continuing connected transactions) will be formed to advise the Independent Shareholders on the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps).

The Company has appointed Lego Corporate Finance Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps) in accordance with the Listing Rules.

VI. DESPATCH OF CIRCULAR

Because additional time is required to prepare and finalize the information to be included in the circular of the Company in accordance with Rule 19A.39A of the Listing Rules, the circular will be issued by the Company and despatched to the Shareholders on or before 27 May 2021 which contains, among others, the following things:

- (i) the details of the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps);
- (ii) the opinion and recommendation of the Independent Board Committee on the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps); and

- (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps).

VII. DEFINITIONS

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

“AGM”	the annual general meeting of the Company for the year of 2020 to be held by the Company
“associates”	has the meaning ascribed to it in the Listing Rules
“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
“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
“Independent Board Committee”	independent board committee of the Company comprising all of the independent non-executive Directors
“Independent Financial Adviser”	Lego Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Investment and Wealth Management Cooperation Framework Agreement and the continuing connected transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	the Shareholders, other than Bailian Group and Shanghai Bailian and their respective associates, who will abstain from voting on the relevant resolution in relation to the Investment and Wealth Management Cooperation Framework Agreement (including the proposed annual caps) at the AGM
“Investment and Wealth Management Cooperation Framework Agreement”	the investment and wealth management cooperation framework agreement entered into between the Company and Shanghai Securities on 23 April 2021, details of which are disclosed in the announcement
“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 substantial Shareholder
“Shanghai Securities”	Shanghai Securities Co., Ltd. (上海證券有限責任公司), a subsidiary of Bailian Group
“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.
Xu Xiao-yi
Joint Company Secretary

Shanghai, the PRC, 23 April 2021

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

Executive Director:	Chong Xiao-bing;
Non-executive Directors:	Ye Yong-ming, Xu Zi-ying, Xu Hong, Zhang Shen-yu, Dong Xiao-chun and Wong Tak Hung;
Independent Non-executive Directors:	Xia Da-wei, Lee Kwok Ming, Don, Chen Wei and Zhao Xin-sheng.

* *for identification purposes only*