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

**(Stock Code: 00980)**

## **ANNOUNCEMENT CONNECTED TRANSACTION**

### **SHANGHAI JINSHAN LEASING AGREEMENT**

Reference is made to the announcement of the Company dated 14 December 2018 in relation to the Modified Leasing Agreement. Pursuant to which, the lessor of the Original Leasing Agreements was modified from Shanghai Tianle to Shanghai Yibai, while the other terms of the Original Leasing Agreements remained unchanged. Upon the entering into of the Modified Leasing Agreement, all the rights and obligations under the Original Leasing Agreements were transferred to and performed by Century Lianhua Jinshan and Shanghai Yibai since 7 September 2015.

On 21 April 2023, Century Lianhua Jinshan entered into the Shanghai Jinshan Leasing Agreement with Shanghai Yibai, pursuant to which Shanghai Yibai agreed to renew the lease of Jinshan Premise to Century Lianhua Jinshan for use as hypermarket and outside leasing area, for a term of three years commencing from 1 June 2022 to 31 May 2025 (both days inclusive).

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Bailian Group is a substantial Shareholder, and Shanghai Yibai is an indirect wholly-owned subsidiary of Bailian Group. As such, Shanghai Yibai is a connected person of the Company under Chapter 14A of the Listing Rules.

As Century Lianhua Jinshan entered into the Shanghai Jinshan Leasing Agreement as the tenant, (a) the Fixed Lease Payment thereunder will be recognised as right-of-use assets under the HKFRS 16 *Lease* and it constitutes an one-off connected transaction of the Company under Chapter 14A of the Listing Rules; and (b) the Variable Lease Payment will be treated as a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the value of the right-of-use assets under the Shanghai Jinshan Leasing Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Shanghai Jinshan Leasing Agreement is therefore subject to the reporting and announcement requirements, but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest annual cap based on the Variable Lease Payment under the Shanghai Jinshan Leasing Agreement on an annual basis is less than 5% and less than HK\$3,000,000, the Variable Lease Payment thereunder constitutes a de minimis transaction pursuant to Rule 14A.76(1)(c) of the Listing Rules and is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## I. BACKGROUND

On 29 April 2005, Century Lianhua Jinshan, a wholly-owned subsidiary of the Company, and Shanghai Tianle, an independent third party, entered into a leasing agreement in relation to the leasing of Jinshan Premise by Shanghai Tianle to Century Lianhua Jinshan for a term of 15 years from 1 June 2007 to 31 May 2022 (the "**Previous Leasing Agreement**"). On 12 November 2007, Century Lianhua Jinshan and Shanghai Tianle entered into a supplemental leasing agreement (the "**Supplemental Leasing Agreement**", and collectively with the Leasing Agreement, the "**Original Leasing Agreements**") to amend the total leasing area and the annual rental under the Previous Leasing Agreement.

Jinshan Premise was sealed up by court in 2012. Shanghai Yibai then purchased Jinshan Premise and obtained the ownership of Jinshan Premise by enforcement decision of the court on 7 September 2015 through judicial auction. On 26 May 2018, Shanghai Yibai obtained the relevant ownership certificate of Jinshan Premise.

On 14 December 2018, Century Lianhua Jinshan entered into the modified leasing agreement (“**Modified Leasing Agreement**”) with Shanghai Yibai to modify the lessor of the Original Leasing Agreements. Pursuant to such agreement, the lessor of the Original Leasing Agreements was modified from Shanghai Tianle to Shanghai Yibai, while the other terms of the Original Leasing Agreements remained unchanged. Upon the entering into of the Modified Leasing Agreement, all the rights and obligations under the Original Leasing Agreements were transferred to and performed by Century Lianhua Jinshan and Shanghai Yibai since 7 September 2015. Since Shanghai Yibai is an indirect wholly-owned subsidiary of Bailian Group, a substantial Shareholder, the transactions contemplated under the Modified Leasing Agreement became continuing connected transactions of the Company.

On 21 April 2023, Century Lianhua Jinshan entered into the Shanghai Jinshan Leasing Agreement with Shanghai Yibai, pursuant to which, Shanghai Yibai agreed to renew the lease of Jinshan Premise to Century Lianhua Jinshan for use as hypermarket and outside leasing area, for a term of three years commencing from 1 June 2022 to 31 May 2025 (both days inclusive).

## **II. SHANGHAI JINSHAN LEASING AGREEMENT**

### **Date**

21 April 2023

### **Parties**

- (1) Century Lianhua Jinshan (as the lessee); and
- (2) Shanghai Yibai (as the lessor)

### **Term**

The Shanghai Jinshan Leasing Agreement is for a term of three years commencing from 1 June 2022 to 31 May 2025 (both days inclusive).

## **Jinshan Premise**

Address: 1/F (part of) and 2/F of No.388 Jinlongxin Street, Zhujing Town, Jinshan District, Shanghai, the PRC

Total leasing area: approximately 12,589.65 square meters

## **Jinshan Leasing**

Pursuant to the Shanghai Jinshan Leasing Agreement, Shanghai Yibai agreed to lease Jinshan Premise to Century Lianhua Jinshan for use as hypermarket and outside leasing area.

The annual rental payable by Century Lianhua Jinshan under the Shanghai Jinshan Leasing Agreement comprised rental for equipment and the property management fee. The annual rental is calculated as follows:

- (1) Fixed Lease Payment: RMB125,000 per month, i.e., RMB1,500,000 per annum; and
- (2) Variable Lease Payment: under the Shanghai Jinshan Leasing Agreement, the Variable Lease Payment shall comprise: (i) the difference between the annual Fixed Lease Payment and 5% of the total sales of the store at Jinshan Premise for each year during the term of the Shanghai Jinshan Leasing Agreement, which shall be payable if such amount is in excess of the annual Fixed Lease Payment, and such annual total sales shall be agreed between the parties based on the sales report for the relevant year to be provided by Century Lianhua Jinshan to Shanghai Yibai within one month upon expiry of each year during the term of the Shanghai Jinshan Leasing Agreement; and (ii) 20% of the annual rental of sub-lease of the outside leasing areas, which shall be ascertained by the parties prior to 31 May each year.

In addition, under the Shanghai Jinshan Leasing Agreement, Century Lianhua Jinshan shall also pay a deposit of RMB145,000, representing a monthly rent of RMB125,000 and registration margin of RMB20,000.

## **Payment Schedule**

Under the Shanghai Jinshan Leasing Agreement, Century Lianhua Jinshan shall pay the annual Fixed Lease Payment for the first year during the term thereof and the deposit within 7 business days from the date of the announcement unless otherwise agreed between the parties. During the remaining term of the Shanghai Jinshan Leasing Agreement, Century Lianhua Jinshan shall pay the Fixed Lease Payment on a quarterly basis within 10 days preceding the end of each 3-month period.

In the event of any Variable Lease Payment is payable, Century Lianhua Jinshan shall pay to Shanghai Yibai such Variable Lease Payment for any year during the term of the Shanghai Jinshan Leasing Agreement within 3 months after the expiry of such one-year period.

### **Right-of-Use Assets**

In accordance with HKFRS 16 applicable to the Group, the payments to be made by the Group contemplated under the Shanghai Jinshan Leasing Agreement comprised different components and hence different accounting treatments will apply. The Group will recognise the Fixed Lease Payment as an acquisition of right-of-use assets taking into account the aggregate discounted amount of the Fixed Lease Payment in accordance with HKFRS 16, which is estimated to be approximately RMB5 million (subject to audit). Such acquisition of right-of-use assets will constitute an one-off connected transaction for the Company under Chapter 14A of the Listing Rules. The Variable Lease Payment will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

### **Reasons for and Benefits of Entering into the Shanghai Jinshan Leasing Agreement**

The store of Century Lianhua Jinshan at Jinshan Premise has been operated well since it commenced its business. The entering into of the Shanghai Jinshan Leasing Agreement will ensure the hypermarket to continually use the premise and avoid unnecessary interruption of its business operation so as to consolidate its market position and attract more customers.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Shanghai Jinshan Leasing Agreement are fair and reasonable and 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.

### **III. GENERAL INFORMATION**

#### **Information of the Century Lianhua Jinshan**

Century Lianhua Jinshan is principally engaged in operating hypermarket in Jinshan District, Shanghai.

#### **Information of the Shanghai Yibai**

Shanghai Yibai is an indirect wholly-owned subsidiary of Bailian Group (a substantial Shareholder) principally engaged in the businesses of development of real estate, leasing of self-owned properties and property management, etc. in the PRC. Bailian Group is 100% held by Shanghai State-owned Assets Supervision and Administration Commission.

### **IV. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Bailian Group is a substantial Shareholder, and Shanghai Yibai is an indirect wholly-owned subsidiary of Bailian Group. As such, Shanghai Yibai is a connected person of the Company under Chapter 14A of the Listing Rules.

As Century Lianhua Jinshan entered into the Shanghai Jinshan Leasing Agreement as the tenant, (a) the Fixed Lease Payment thereunder will be recognised as right-of-use assets under the HKFRS 16 *Lease* and it constitutes an one-off connected transaction of the Company under Chapter 14A of the Listing Rules; and (b) the Variable Lease Payment will be treated as a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the value of the right-of-use assets under the Shanghai Jinshan Leasing Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Shanghai Jinshan Leasing Agreement is therefore subject to the reporting and announcement requirements, but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest annual cap based on the Variable Lease Payment under the Shanghai Jinshan Leasing Agreement on an annual basis is less than 5% and less than HK\$3,000,000, the Variable Lease Payment thereunder constitutes a de minimis transaction pursuant to Rule 14A.76(1)(c) of the Listing Rules and is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## V. 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 of the Company
“Century Lianhua Jinshan”	Shanghai Century Lianhua Supermarket Jinshan Co., Ltd.* (上海世紀聯華超市金山有限公司), an indirect wholly-owned subsidiary of the Company
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fixed Lease Payment”	the fixed basic rental and fees shall be paid by Century Lianhua Jinshan to Shanghai Yibai in respect of the leasing of Jinshan Premise, including the basic rental and the property management fees
“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

“HKFRS”	The Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jinshan Premise”	1/F (part of) and 2/F of No.388 Jinlongxin Street, Zhujing Town, Jinshan District, Shanghai, 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, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Jinshan Leasing Agreement”	the leasing agreement entered into between the Century Lianhua Jinshan and Shanghai Yibai regarding the leasing of Jinshan Premise on 21 April 2023, details of which are disclosed in this announcement
“Shanghai Tianle”	Shanghai Tianle Real Estate Development Co., Ltd.* (上海天樂房產開發有限公司)
“Shanghai Yibai”	Shanghai Yibai Group Real Estate Co., Ltd.* (上海一百集團房地產有限公司), an indirect wholly-owned subsidiary of Bailian Group
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Variable Lease  
Payment”

the amount payable by Century Lianhua Jinshan to Shanghai Yibai during the term of the Shanghai Jinshan Leasing Agreement that varies based on the annual total sales of the store at Jinshan Premise and the annual rental of the sub-lease of the outside leasing areas

“%”

per cent

By order of the Board  
**Lianhua Supermarket Holdings Co., Ltd.**  
**Pu Shao-hua**  
*Chairman*

Shanghai, the PRC, 21 April 2023

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

*Executive director:*

Chong Xiao-bing;

*Non-executive directors:*

Pu Shao-hua, Shi Xiao-long, Xu Pan-hua, 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 purpose only*