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

(Stock Code: 00980)

MAJOR TRANSACTION IN RELATION TO THE SUPPLEMENTAL TENANCY AGREEMENT

THE SUPPLEMENTAL TENANCY AGREEMENT

On 7 April 2024, the Board is pleased to announce that, as the term of Original Lease Agreements is expiring on 7 June 2024, the Tenant, the Landlord and Shanghai Jiaping agreed to enter into the Supplemental Tenancy Agreement to extend the term of the tenancy for a further term commencing from 8 June 2024 and ending on 7 March 2042.

LISTING RULES IMPLICATIONS

Based on HKFRs 16, the entering into of the Supplemental Tenancy Agreement will require the Company to recognise the right-of-use asset in the consolidated financial statements of the Group in connection with the tenancy of the Premise. As such, under the Listing Rules, the entering into of the Supplemental Tenancy Agreement will be regarded as an acquisition of asset under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio of the transaction under the Supplemental Tenancy Agreement, calculated based on the value of the right-of-use asset of the Premise under the Supplemental Tenancy Agreement to be recognised by the Company according to HKFRs 16, is higher than 25%, the transaction contemplated under the Supplemental Tenancy 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.

AGM

An AGM will be convened for the Shareholders to consider, and if thought fit, approve the entering into the Supplemental Tenancy Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Supplemental Tenancy Agreement; (ii) the notice of AGM; and (iii) other information as required under the Listing Rules, is expected to be issued beyond 15 business days after the publication of this announcement, and despatched to the Shareholders on or before 6 May 2024, as the Company needs additional time to prepare the circular and other information in relation to the AGM.

I. SUPPLEMENTAL TENANCY AGREEMENT

On 7 April 2024, the Board is pleased to announce that, as the term of Original Lease Agreements is expiring on 7 June 2024, the Tenant, the Landlord and Shanghai Jiaping agreed to enter into the Supplemental Tenancy Agreement to extend the term of the tenancy for a further term commencing from 8 June 2024 and ending on 7 March 2042.

A summary of the principal terms of the Supplemental Tenancy Agreement is set out below:

Date : 7 April 2024

Parties : (1) Century Lianhua Nanhui (as the Tenant);
(2) Tengteng (as the Landlord); and
(3) Shanghai Jiaping (as the property management service provider).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Landlord, Shanghai Jiaping and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Premise : Building No. 378 to 390 (even), Chengdong Road, Huinan Town, Pudong New District, Shanghai

Use : For the purpose of operation as hypermarkets

Term : Under the Supplemental Tenancy Agreement, the term of lease shall be 17 years and 9 months, commencing from 8 June 2024 and ending on 7 March 2042.

Pursuant to the terms of the Supplemental Tenancy Agreement, subject to the successful renewal of the land use right of the Premise by the Landlord, Century Lianhua Nanhui may agree to extend the term of the tenancy for a further period of 2years and 3 months, i.e. the term of tenancy will be ending on 7 June 2044.

Rent-free Period : The rent-free period of the Supplemental Tenancy Agreement is three months, commencing from 8 June 2024 and ending on 7 September 2024.

Rental : During the term of the Supplemental Tenancy Agreement, the annual rental shall be increased by 5% every three years on the basis of the annual rent of the previous three-year term, and the initial annual rental for the first three years (i.e., from 8 June 2024 to 7 June 2027) is RMB10,407,088.45, subject to the rent-free period set out above. The total rent payable by the Tenant under the Supplemental Tenancy Agreement is approximately RMB206.39 million. Details of the rental during the term of the Supplemental Tenancy Agreement are set out below:

Period	Rental
From 8 June 2024 to 7 September 2024	RMB0 for the three months (Rent-free period)
From 8 September 2024 to 7 June 2025	RMB7,783,931.91 for the nine months

From 8 June 2025 to 7 June 2027	RMB10,407,088.45 per annum
From 8 June 2027 to 7 June 2030	RMB10,927,442.87 per annum
From 8 June 2030 to 7 June 2033	RMB11,473,815.02 per annum
From 8 June 2033 to 7 June 2036	RMB12,047,505.77 per annum
From 8 June 2036 to 7 June 2039	RMB12,649,881.06 per annum
From 8 June 2039 to 7 June 2041	RMB13,282,375.11 per annum
From 8 June 2041 to 7 March 2042	RMB9,934,488.78 for the nine months

The rent payable under the Supplemental Tenancy Agreement was determined after arm's length negotiations between the parties, after taking into consideration the location, quality and area, the increase in the number of residents in the neighbouring areas in recent years, the favourable business atmosphere, and prevailing market price for comparable premises in the vicinity of the Premise, and is not less favourable than the terms and conditions offered by independent third parties.

Property Management Fee : The annual property management fee of the Premise under the Supplemental Tenancy Agreement shall be increased by 5% every three years on the basis of the annual property management fee of the previous term, and the initial annual property management fee for the first year (i.e., from 8 June 2024 to 7 June 2025) is RMB6,473,275, which is in line with the current property management fee and subject to the property management fee-free period of three months commencing from 8 June 2024 and ending on 7 September 2024, i.e., the total property management fee of the Premise under the Supplemental Tenancy Agreement for the period from 8 June 2024 to 7 June 2025 is RMB4,841,655.

The property management fee payable under the Supplemental Tenancy Agreement was determined after arm's length negotiations between the parties, after taking into consideration the increase in labour costs in recent years and prevailing market price for comparables, and is not less favourable than the terms and conditions offered by independent third parties.

Payment Method : The payment of rental and property management fee under the Supplemental Tenancy Agreement shall be made quarterly.

Termination and Event of Default : Subject to the terms of the Original Lease Agreements, under the Supplemental Tenancy Agreement, in the event of the Supplemental Tenancy Agreement terminated by a non-breaching party due to a breach by the other party, such defaulting party is liable to pay a compensation in the amount of RMB10 million to the non-breaching party. For any loss incurred by the non-breaching party, if the compensation paid by the defaulting party is insufficient to cover the loss incurred by the non-breaching party, the defaulting party shall indemnify the non-breaching party of the difference between the loss incurred and the compensation, and the Original Lease Agreements and any supplemental agreements and ancillary documents shall be terminated immediately.

Tengteng agrees that after twenty-four months of the performance under the Supplemental Tenancy Agreement, if any single store of Century Lianhua Nanhui incurs a sustained loss for a period of up to three months, for the long-term interests of both parties, Century Lianhua Nanhui shall serve a written notice upon the Landlord to terminate the Supplemental Tenancy Agreement not less than one month in advance, and compensate Tengteng for the two and a half months' rent upon termination of the Supplemental Tenancy Agreement. At the same time, the Original Lease Agreement, any supplemental agreements and ancillary documents shall be terminated accordingly. Century Lianhua Nanhui shall not be liable for any other breach of contract.

The right-of-use asset

The unaudited value of the right-of-use asset recognised by the Company under the Supplemental Tenancy Agreement amounts to approximately RMB141 million, which is the present value of the total base rental payable during the term of the Supplemental Tenancy Agreement plus estimated reinstatement cost with the lease at the inception of the lease term under the Supplemental Tenancy Agreement in accordance with HKFRs 16.

II. REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL TENANCY AGREEMENT

The shop located in the Premise has been operating in Huinan Town for approximately 20 years, with a stable client base and is very popular with the local people. The Premise is located at Huinan Town, Pudong New District, which is part of the coastal development area. According to the relevant planning, it is expected that there will be a certain influx of people in the future, which will lead to a stable development. At the same time, considering that the shop located in the Premise has been recording good profits historically, and leveraging on the future development plan for the Pudong New District and the coastal development area, the results of the shop located in the Premise will also be secured upon the renewal of the Premise.

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

III. LISTING RULES IMPLICATIONS

Based on HKFRs 16, the entering into of the Supplemental Tenancy Agreement will require the Company to recognise the right-of-use asset in the consolidated financial statements of the Group in connection with the tenancy of the Premise. As such, under the Listing Rules, the entering into of the Supplemental Tenancy Agreement will be regarded as an acquisition of asset under Chapter 14 of the Listing Rules.

An the highest applicable percentage ratio of the transaction under the Supplemental Tenancy Agreement, calculated based on the value of the right-of-use asset of the Premise under the Supplemental Tenancy Agreement to be recognised by the Company according to HKFRs 16, is higher than 25%, the transaction contemplated under the Supplemental Tenancy 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.

IV. AGM AND DESPATCH OF CIRCULAR

An AGM will be convened for the Shareholders to consider, and if thought fit, approve the entering into the Supplemental Tenancy Agreement and the transactions contemplated thereunder.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Supplemental Tenancy Agreement and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting.

A circular containing, among other things, (i) details of the Supplemental Tenancy Agreement; (ii) the notice of AGM; and (iii) other information as required under the Listing Rules, is expected to be issued beyond 15 business days after the publication of this announcement, and despatched to the Shareholders on or before 6 May 2024, as the Company needs additional time to prepare the circular and other information in relation to the AGM.

V. GENERAL INFORMATION

Information of the Company

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

Information of the Century Lianhua Nanhui

Century Lianhua Nanhui is principally engaged in operating hypermarkets in Nanhui Area, Pudong New District, Shanghai.

Information of Tengteng

Tengteng is principally engaged in industrial investment, domestic cargo transportation agency, sales of construction materials, decorative materials, hardware and electrical appliances, and leasing of own houses. Tengteng is wholly owned by Mr. Dong Lin, an independent third party of the Company.

Information of Shanghai Jiaping

Shanghai Jiaping is a company incorporated in the PRC and is principally engaged in property management. Shanghai Jiaping is wholly owned by Mr. Yin Xuehui, an independent third party of the Company.

VI. DEFINITION

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

“AGM”	the annual general meeting of the Company to be convened to consider and, if appropriate, to approve, among others, the Supplemental Tenancy Agreement
“Board”	the board of Directors of the Company

“Century Lianhua Nanhui” or “Tenant”	Shanghai Century Lianhua Supermarket Nanhui Co., Ltd.* (上海世紀聯華超市南匯有限公司), a 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(s)”	has the meaning ascribed to it under the Listing Rules
“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original Lease Agreements”	the original lease agreement dated 10 January 2003 entered into between the Company and the Landlord, as supplemented by certain supplemental agreements between the Tenant and Landlord, and the property management agreement entered into between the Tenant and Shanghai Jiaping, in relation to the tenancy of the Premise for a term commencing from 10 January 2003 and ending on 7 June 2024

“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
“Premise”	Building No. 378 to 390 (even), Chengdong Road, Huinan Town, Pudong New District, Shanghai
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Jiaping”	Shanghai Jiaping Property Management Co., Ltd.* (上海佳萍物業管理有限公司)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Tenancy Agreement”	the supplemental agreement to the Original Lease Agreements entered into between Century Lianhua Nanhui, as the Tenant, Tengteng, as the Landlord and Shanghai Jiaping, as the property management service provider, on 7 April 2024 in relation to the tenancy of the Premise
“Tengteng” or “Landlord”	Shanghai Tengteng Industrial Co.* (上海騰藤實業有限公司)
“%”	per cent

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

Shanghai, the PRC, 7 April 2024

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

Executive directors:

Chong Xiao-bing and Zhang Hui-qin;

Non-executive directors:

Pu Shao-hua, Hu Xiao, 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*