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

ANNOUNCEMENT

(1) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES

The Board is pleased to announce that on 12 May 2024, the Company entered into the Share Subscription Agreement with Bailian Group. According to the terms of the Share Subscription Agreement, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new Domestic Shares at the Subscription Price of RMB1.00 (equivalent to approximately HK\$1.10051) per new Domestic Share, which is expected to raise gross proceeds of approximately RMB360 million (equivalent to approximately HK\$396 million), and the net proceeds (after deduction of relevant costs and expenses) from the Domestic Share Subscription is expected to be approximately RMB358 million (equivalent to approximately HK\$394 million), which is intended to be used in (a) business ecological transformation; and (b) enhance general working capital of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group and its subsidiary, Shanghai Bailian, directly and indirectly hold an aggregate of 513,869,400 Domestic Shares, representing approximately 45.90% of the Company's total issued share capital. According to the Listing Rules, Bailian Group constitutes a controlling shareholder of the Company and hence, a connected person of the Company. Accordingly, the Domestic Share Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Subscription Shares to be issued under the Domestic Shares Subscription will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Bailian Group and its subsidiary, Shanghai Bailian, directly hold 289,661,400 Domestic Shares and 224,208,000 Domestic Shares, representing approximately 25.87% and approximately 20.03% of the Company's total issued share capital, respectively, pursuant to which, Bailian Group and parties acting in concert with it under the Takeovers Code collectively hold an aggregate of 513,869,400 Domestic Shares, representing approximately 45.90% of the Company's total issued share capital. In addition, according to the Equity Entrustment Agreement, Bailian Group entrusted the management of 254,160,000 Domestic Shares held by it to Shanghai Bailian, representing approximately 22.70% of the total issued share capital of the Company, and Shanghai Bailian shall exercise the Shareholder's rights of the entrusted Domestic Shares, except for the assets earning right and the disposal right, in accordance with the Articles of Association.

After completion of the Domestic Share Subscription and assuming no other changes to the issued share capital of the Company prior to Completion, Bailian Group, Shanghai Bailian and parties acting in concert with any of them under the Takeovers Code will together be interested in a total of 873,869,400 Domestic Shares, representing approximately 59.06% of the Company's enlarged issued share capital. As the Domestic Share Subscription will cause an increase in the shareholding of Bailian Group, Shanghai Bailian and parties acting in concert with any of them under the Takeovers Code in aggregate from approximately 45.90% to approximately 59.06%, pursuant to Rule 26.1 of the Takeovers Code, the issue of Subscription Shares to Bailian Group will give rise to an obligation on part of Bailian Group and Shanghai Bailian to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Bailian Group, Shanghai Bailian and parties acting in concert with any of them unless the Whitewash Waiver is obtained from the Executive.

Completion of the Domestic Share Subscription is subject to, among other things, the granting of the Whitewash Waiver by the Executive and approval by the Independent Shareholders. An application will be made by the Company on behalf of Bailian Group and Shanghai Bailian to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Domestic Share Subscription. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders by way of poll at the EGM. **The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Share Subscription Agreement shall not take effect and the Domestic Share Subscription will not proceed.**

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors who have no direct or indirect interests in the Share Subscription Agreement and transactions contemplated thereunder, namely Mr. Xia Da-wei, Mr. Lee Kwok Ming, Don, Mr. Chen Wei and Mr. Zhao Xin-sheng) has been formed to advise the Independent Shareholders on whether the Domestic Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate) is fair and reasonable and make recommendations as to voting.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Domestic Share Subscription and the Whitewash Waiver, namely Ms. Hu Xiao, Mr. Wong Tak Hung, Mr. Xia Da-wei, Mr. Lee Kwok Ming, Don, Mr. Chen Wei and Mr. Zhao Xin-sheng) has also been formed to advise the Independent Shareholders as to the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and make recommendations as to voting. Since the non-executive Directors, Mr. Pu Shao-hua, Ms. Zhang Shen-yu and Mr. Dong Xiao-chun, are either directors or are holding senior positions in Bailian Group and/or its subsidiaries, they are not included as members of the Whitewash Waiver IBC.

The Independent Financial Adviser will be appointed with the approval of the Independent Board Committees as soon as possible to advise the Independent Board Committees and the Independent Shareholders as to whether the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendations as to voting. Further announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposed to make certain amendments to the Articles of Association, to take effect subject to and upon completion of the Domestic Share Subscription, in order to reflect the latest registered capital and shareholding structure of the Company as a result of the issue of the Subscription Shares.

The proposed amendments to the Articles of Association are subject to approval by the Shareholders by way of special resolution at the EGM and the registration and filing with the relevant PRC government authorities.

Further information in respect of the proposed amendments to the Articles of Association will be set out in the circular to be issued by the Company in relation to, among others, the Share Subscription Agreement, the Specific Mandate and the Whitewash Waiver.

EXTRAORDINARY GENERAL MEETING

The EGM will be convened to consider and, if thought fit, approve resolutions relating to the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the proposed amendments to the Articles of Association.

Bailian Group, Shanghai Bailian and parties acting in concert with any of them and their respective associates and any other Shareholder who is involved or interested in the Domestic Share Subscription, the Specific Mandate and the Whitewash Waiver will be required to abstain from voting on the resolutions to be proposed at the EGM for approving the proposed Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

DESPATCH OF WHITEWASH CIRCULAR

According to Rule 8.2 of the Takeovers Code, the Whitewash Circular containing, among other things: (i) details of the Share Subscription Agreement and transactions contemplated thereunder, the Whitewash Waiver, the Specific Mandate and the proposed amendments to the Articles of Association; (ii) a letter of recommendation from the Connected Transaction IBC to the Independent Shareholders on the Domestic Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate); (iii) a letter of recommendation from the Whitewash Waiver IBC to the Independent Shareholders on the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; (iv) a letter of advice by the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders on the Share Subscription Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; and (v) a notice of EGM together with the form of proxy, is expected to be despatched to Shareholders within 15 business days from the date of this announcement pursuant to Rule 14A.68 of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is the earlier.

As additional time is required for finalising the information for inclusion in the Whitewash Circular, hence if required, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code and to the Stock Exchange for the extension of time for the dispatch of the Whitewash Circular. Further announcement(s) will be made by the Company as and when appropriate.

As the Domestic Share Subscription is subject to the satisfaction of the conditions precedent under the Share Subscription Agreement as set out in the section headed “Conditions precedent to the Share Subscription Agreement” in this announcement, including but not limited to the granting of the Whitewash Waiver by the Executive, the proposed Domestic Share Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

I. PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES

The Board is pleased to announce that on 12 May 2024, the Company entered into the Share Subscription Agreement with Bailian Group. According to the terms of the Share Subscription Agreement, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for an aggregate of 360,000,000 new Domestic Shares at the Subscription Price of RMB1.00 (equivalent to approximately HK\$1.10051) per new Domestic Share, which is expected to raise gross proceeds of approximately RMB360 million (equivalent to approximately HK\$396 million), and the net proceeds (after deduction of relevant costs and expenses) from the Domestic Share Subscription is expected to be approximately RMB358 million (equivalent to approximately HK\$394 million), which is intended to be used in (a) business ecological transformation; and (b) enhance general working capital of the Company.

The Subscription Shares to be issued under the Domestic Shares Subscription will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

1. Share Subscription Agreement

The major terms and conditions of the Share Subscription Agreement are set out as follows:

Date

12 May 2024

Parties

- (1) The Company (as the issuer); and
- (2) Bailian Group (as the subscriber).

Number of Subscription Shares

Pursuant to the Share Subscription Agreement, Bailian Group agreed to subscribe for 360,000,000 Subscription Shares, with par value of RMB1.00 each and an aggregate par value of RMB360,000,000. The Subscription Shares represent approximately 32.15% of the existing issued share capital of the Company as at the date of this announcement and approximately 24.33% of the enlarged total issued share capital of the Company upon completion of the Domestic Share Subscription. Assuming there is no change to the issued share capital of the Company other than the issue of the new Domestic Shares pursuant to the Share Subscription Agreement, immediately after the Completion, Bailian Group will directly hold approximately 649,661,400 Domestic Shares, indirectly hold approximately 224,208,000 Domestic Shares through Shanghai Bailian, and hold an aggregate of 873,869,400 Shares, representing approximately 43.91%, 15.15% and 59.06% of the enlarged total issued share capital of the Company, respectively. Same with the Domestic Shares existing in issue, the transfer and subsequent sale of the Subscription Shares to be issued can be made in accordance with the relevant provisions of the Articles of Association, subject to the applicable PRC laws. The issue size of the Domestic Share Subscription is subject to adjustment as finally approved by the regulatory authorities and shall in any event not more than 360,000,000 Subscription Shares.

Subscription Price

RMB1.00 (equivalent to approximately HK\$1.10051) per Subscription Share. For the purpose of this announcement, all figures in HK\$ are calculated based on the exchange rate of HK\$1 to RMB0.90867 as quoted by The People's Bank of China as at the Last Trading Day. The Subscription Price is subject to corresponding adjustment upon the occurrence of any ex-rights and ex-dividend events including, among others, dividend distribution, bonus shares, capitalization of capital reserve during the period from the date of this announcement to the date of Completion, and the Company shall have the right to adjust the Subscription Price according to the final approval from the regulatory authorities, provided that the Subscription Price shall not be lower than the par value of RMB1.00 after adjustment.

The Subscription Price of RMB1.00 (equivalent to approximately HK\$1.10051) per Subscription Share represents:

- (1) a premium of approximately 249.37% to the price of approximately HK\$0.315 per H Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 273.05% to the average closing price of approximately HK\$0.295 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (3) a premium of approximately 323.27% to the average closing price of approximately HK\$0.260 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and
- (4) a premium of approximately 1,452.80% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2023 of approximately RMB0.0644 (equivalent to approximately HK\$0.0711) per Share calculated based on the audited consolidated equity attributable to owners of the Company of approximately RMB72,126,000 as at 31 December 2023 as extracted from the annual report of the Company for the year ended 31 December 2023 and 1,119,600,000 Shares then in issue (based on the exchange rate of HK\$1: RMB0.90622 as at 29 December 2023 published by The People's Bank of China for illustration purposes).

The Subscription Price for the Domestic Share Subscription is determined after arm's length negotiations between the Company and Bailian Group, in accordance with the restriction under the Company Law of the PRC that the Subscription Price shall not be lower than the par value of RMB1.00, with reference to the net assets position of the Company, the view of Bailian Group on the future development of the Company, the recent price of H Shares and the prevailing market conditions. The total Subscription Price for the Domestic Share Subscription (i.e. RMB360,000,000) shall be payable by Bailian Group upon Completion.

Conditions precedent to the Share Subscription Agreement

The Domestic Share Subscription is conditional upon:

- (1) the approval by the Board, the board of directors of Shanghai Bailian and the board of directors of Bailian Group;
- (2) the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver and the fulfilment of all conditions (if any) attached to the Whitewash Waiver;
- (3) the approval by (i) at least 75% of the votes in favour cast by the Independent Shareholders at the EGM in respect of the Whitewash Waiver; and (ii) more than two-thirds of the votes in favour cast by the Independent Shareholders at the EGM in respect of the Share Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate;
- (4) the approval of the plan for the Domestic Share Subscription by Shanghai SASAC or its authorised organizations;
- (5) the approval of registration by China Securities Regulatory Commission; and
- (6) the shareholders of the Company, other relevant third parties and/or governmental or regulatory authorities or agencies (including the relevant authorities in the PRC and Hong Kong), to obtain all necessary licenses, consents, approvals, authorisations, permits, exemptions, orders, reliefs or notices required for the execution and performance of the Share Subscription Agreement or the issue of the Subscription Shares, and which have not been withdrawn prior to the issue of the Subscription Shares.

None of the conditions can be waived under the Share Subscription Agreement.

As at the date of this announcement, there was no such licence, consent, approval, authorisation, permit, exemption, order, relief or notice required as set out in paragraph (6), and such condition set out in paragraph (6) shall be treated as fulfilled for so long as no circumstances have arisen to trigger the relevant requirements on or before the Completion. As at the date of this announcement, except for the conditions set out in paragraphs (1) and (4) above, which have been fulfilled, none of the other conditions to the Domestic Share Subscription has been or has been treated as fulfilled.

If any of the precedent conditions under the Share Subscription Agreement as set out above in the section headed “Conditions precedent to the Share Subscription Agreement” is not satisfied after eighteen months from the date of the Share Subscription Agreement, the Share Subscription Agreement shall not take effect and neither party shall have any claims against the other save for any antecedent breaches.

Completion

The completion of Domestic Share Subscription shall take place within 10 business days following all the conditions precedent to the Share Subscription Agreement have been fulfilled, upon which the Company shall issue the Subscription Shares to Bailian Group and the total Subscription Price shall be paid by Bailian Group in one lump sum to the account designated by the Company in accordance with the terms of the Share Subscription Agreement.

Specific Mandate

The 360,000,000 Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

2. Ranking of the Subscription Shares

The Subscription Shares to be issued pursuant to the Share Subscription Agreement will rank, upon issue, *pari passu* in all respects with the existing issued Domestic Shares held by the Company at the time of issue of such Subscription Shares.

3. Effect on the Shareholding Structure of the Company

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Domestic Share Subscription (assuming no other changes to the issued share capital of the Company prior to Completion):

	Share class	As at the date of the announcement		Immediately after the completion of Domestic Share Subscription (<i>Note 5</i>)	
		Number of Shares held	Percentage of total issued Shares	Number of Shares held	Percentage of total issued Shares
Bailian Group and parties acting in concert with it					
Bailian Group	Domestic	289,661,400	25.87%	649,661,400	43.91%
Shanghai Bailian (<i>Note 1</i>)	Domestic	224,208,000	20.03%	224,208,000	15.15%
Sub-total		<u>513,869,400</u>	<u>45.90%</u>	<u>873,869,400</u>	<u>59.06%</u>
Other Domestic Shareholders					
Alibaba (China) Technology Co., Ltd. (<i>Note 2</i>)	Domestic	201,528,000	18.00%	201,528,000	13.62%
Sub-total		<u>201,528,000</u>	<u>18.00%</u>	<u>201,528,000</u>	<u>13.62%</u>
Unlisted foreign Shareholders					
Wong Sun Hing Investment Company Limited (<i>Note 3</i>)	Unlisted foreign shares	31,602,600	2.82%	31,602,600	2.14%
Sub-total		<u>31,602,600</u>	<u>2.82%</u>	<u>31,602,600</u>	<u>2.14%</u>
Total domestic and unlisted foreign Shares		<u>747,000,000</u>	<u>66.72%</u>	<u>1,107,000,000</u>	<u>74.82%</u>
H Shareholders					
H Shareholders (<i>Note 4</i>)	H Shares	372,600,000	33.28%	372,600,000	25.18%
Total H Shares		<u>372,600,000</u>	<u>33.28%</u>	<u>372,600,000</u>	<u>25.18%</u>
Total issued Shares		<u>1,119,600,000</u>	<u>100.00%</u>	<u>1,479,600,000</u>	<u>100.00%</u>

Notes:

1. Shanghai Bailian is a joint stock limited company incorporated in the PRC, the shares of which are listed on Shanghai Stock Exchange (stock code: 600827/900923). Based on the disclosure of the first quarterly report of 2024 of Shanghai Bailian for the three months ended 31 March 2024, as at 31 March 2024, the shares of Shanghai Bailian were held as to approximately 47.62% by Bailian Group, as to approximately 2.88% by Shanghai Bailian Holding Co., Ltd.* (上海百聯控股有限公司), as to approximately 2.66% by Shanghai Yuying Enterprise Management Co., Ltd.* (上海豫贏企業管理有限公司) and as to approximately 0.01% by Bailian Omni-channel International Procurement Co., Ltd.* (百聯全渠道國際採購有限公司), and Shanghai Bailian Holding Co., Ltd.* (上海百聯控股有限公司), Shanghai Yuying Enterprise Management Co., Ltd.* (上海豫贏企業管理有限公司) and Bailian Omni-channel International Procurement Co., Ltd.* (百聯全渠道國際採購有限公司) are subsidiaries of Bailian Group. In addition to the aforementioned shares held directly and/or indirectly by Bailian Group and its subsidiaries, the rest of top 10 shareholders of Shanghai Bailian are Hong Kong Securities Clearing Company Limited (holding approximately 0.57%), Industrial and Commercial Bank of China Limited – CSI Shanghai State-owned Enterprises Traded Open-ended Index Securities Investment Fund* (中國工商銀行股份有限公司—中證上海國企交易型開放式指數證券投資基金) (holding approximately 0.57%), Agricultural Bank of China Limited – CSI 500 Traded Open-End Index Securities Investment Fund* (中國農業銀行股份有限公司—中證500交易型開放式指數證券投資基金) (holding approximately 0.55%), Schroder International Selection Fund (approximately 0.32%), Beijing Tingquan Private Equity Fund Management Co. Ltd.* (北京霆泉私募基金管理有限公司—霆泉新紀元一號私募證券投資基金) (holding approximately 0.30%), Liu Jia* (劉佳) (holding approximately 0.24%) and Shanghai South Shanghai Commercial Real Estate Company Limited* (上海南上海商業房地產有限公司) (holding approximately 0.22%), all of which are Independent Third Parties. Therefore, as at the date of this announcement, for the purpose of the SFO, Bailian Group is deemed to be interested in the 224,208,000 Domestic Shares held by Shanghai Bailian and Shanghai Bailian is a party acting in concert with Bailian Group.
2. As at the date of this announcement, the entire shares of Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司) are held as to approximately 57.59% by Taobao (China) Software Co., Ltd.* (淘寶(中國)軟件有限公司) (an indirect wholly-owned subsidiary of Alibaba Group Holding Limited* (阿里巴巴集團控股有限公司)), held as to approximately 35.75% by Zhejiang Tmall Technology Company Limited* (浙江天貓技術有限公司) and held as to approximately 6.66% by Alibaba.com China Limited* (阿里巴巴網絡中國有限公司) (both of which are wholly-owned or controlled by Alibaba Group Holding Limited* (阿里巴巴集團控股有限公司)), respectively. Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司) holds 201,528,000 shares of the Company, representing 18.00% share capital of the Company.

3. Wong Sun Hing Investment Company Limited is a private company incorporated in Hong Kong with limited liability, holds approximately 2.82% equity interest in the Company as at the date of this announcement.
4. The H Shareholders are public Shareholders.
5. Figures shown above are calculated assuming that no other Shares will be issued or transferred after the date of this announcement until the completion of the Domestic Share Subscription.
6. The Company confirms that it will continue to meet the minimum public float requirements under the Listing Rules immediately after the Domestic Share Subscription.
7. Any discrepancies in this table between totals and sums of amounts listed in the table above are due to rounding.

As at the date of this announcement, except for the issued 1,119,600,000 Shares, the Company has no other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange Shares.

4. Proposed amendments to the Articles of Association

The Board proposed to make certain amendments to the Articles of Association, to take effect subject to and upon completion of the Domestic Share Subscription, in order to reflect the latest registered capital and shareholding structure of the Company as a result of the issue of the Subscription Shares.

The proposed amendments to the Articles of Association are subject to approval by the Shareholders by way of special resolution at the EGM and the registration and filing with the relevant PRC government authorities.

Further information in respect of the proposed amendments to the Articles of Association will be set out in the Whitewash Circular to be issued by the Company in relation to, among others, the Share Subscription Agreement, the Specific Mandate and the Whitewash Waiver.

5. Use of proceeds

The Company expects to raise gross proceeds of approximately RMB360 million (equivalent to approximately HK\$396 million) from the Domestic Share Subscription and the net proceeds (after deduction of relevant costs and expenses) from the Domestic Share Subscription is expected to be approximately RMB358 million (equivalent to approximately HK\$394 million). The Company intends to apply the net proceeds from the Domestic Share Subscription, after deduction of relevant costs and expenses, for the following purposes: (a) approximately 85% of which will be used for the business ecological transformation; and (b) approximately 15% of which will be used to enhance general working capital of the Company. The net Subscription Price per new Domestic Share is RMB0.99 (equivalent to approximately HK\$1.09).

6. Reasons for and benefits of the Domestic Share Subscription

The Directors are of the view that the Domestic Share Subscription will provide necessary financial support for the potential reform, transformation and future sustainable development of the Company, and Bailian Group will be able to support the Company's long-term business development in a more efficient and flexible manner and to promote the Company's strategic transformation, which will in turn enable the Company to create greater value to Shareholders as a whole. The replenishment of working capital will enhance the capital strength of the Company and effectively broaden the channels of capital reserve to cope with possible fluctuations in the industry in the future. At the same time, the issue of Subscription Shares and the Domestic Share Subscription will effectively reduce the gearing ratio of the Company, optimise the capital structure, improve the overall financial position of the Company and lower the financial risks.

As such, the Directors (other than the members of the Independent Board Committees whose views will be contained in the Whitewash Circular having considered the advice from the Independent Financial Adviser) believe that the Domestic Share Subscription by Bailian Group is fair and reasonable and on normal commercial terms, and is in the interests of the Group and the Shareholders as a whole.

7. Recent fund raising

The Company has not conducted any fund raising activities through any issue of equity securities within the 12 months immediately prior to the date of this announcement.

8. Listing rules implications

As at the date of this announcement, Bailian Group and its subsidiary, Shanghai Bailian, directly and indirectly holds an aggregate of 513,869,400 Domestic Shares, representing approximately 45.90% of the Company's total issued share capital. According to the Listing Rules, Bailian Group constitutes a controlling shareholder of the Company and hence, a connected person of the Company. Accordingly, the Domestic Share Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. Implications under the Takeovers Code and application for Whitewash Waiver

As at the date of this announcement, Bailian Group and its subsidiary, Shanghai Bailian, directly hold 289,661,400 Domestic Shares and 224,208,000 Domestic Shares, representing approximately 25.87% and approximately 20.03% of the Company's total issued share capital, respectively, pursuant to which, Bailian Group and parties acting in concert with it under the Takeovers Code collectively hold an aggregate of 513,869,400 Domestic Shares, representing approximately 45.90% of the Company's total issued share capital. In addition, according to the Equity Entrustment Agreement, Bailian Group entrusted the management of 254,160,000 Domestic Shares held by it to Shanghai Bailian, representing approximately 22.70% of the total issued share capital of the Company, and Shanghai Bailian shall exercise the Shareholder's rights of the entrusted Domestic Shares, except for the assets earning right and the disposal right, in accordance with the Articles of Association.

After completion of the Domestic Share Subscription and assuming no other changes to the issued share capital of the Company prior to Completion, Bailian Group, Shanghai Bailian and parties acting in concert with any of them under the Takeovers Code will together be interested in a total of 873,869,400 Domestic Shares, representing approximately 59.06% of the Company's enlarged issued share capital. As the Domestic Share Subscription will cause an increase in the shareholding of Bailian Group, Shanghai Bailian and parties acting in concert with any of them under the Takeovers Code in aggregate from approximately 45.90% to approximately 59.06%, pursuant to Rule 26.1 of the Takeovers Code, the issue of Subscription Shares to Bailian Group will give rise to an obligation on part of Bailian Group and Shanghai Bailian to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Bailian Group, Shanghai Bailian and parties acting in concert with any of them unless the Whitewash Waiver is obtained from the Executive.

Completion of the Domestic Share Subscription is subject to, among other things, the granting of the Whitewash Waiver by the Executive and approval by the Independent Shareholders. An application will be made by the Company on behalf of Bailian Group and Shanghai Bailian to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Domestic Share Subscription. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% and more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Domestic Share Subscription (including the grant of the Specific Mandate and the approval of the Share Subscription Agreement), respectively, at the EGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Share Subscription Agreement shall not take effect and the Domestic Share Subscription will not proceed.

As at the date of this announcement:

- (i) save for the Share Subscription Agreement, during the six months immediately prior to the date of this announcement, none of Bailian Group, Shanghai Bailian and parties acting in concert with any of them had sold or purchased any shares of the Company, acquired or entered into any agreement to acquire any voting rights of the Company or had dealt for value in any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code);

- (ii) during the six months immediately prior to the date of this announcement, none of the Bailian Group, Shanghai Bailian and parties acting in concert with any of them has entered into or will enter into any transaction causing disqualification of transaction (as defined in paragraph 3 of Schedule VI to the Takeovers Code) which may result in the Executive not granting the Whitewash Waiver or any Whitewash Waiver granted being declared invalid;
- (iii) save for the Share Subscription Agreement, none of Bailian Group, Shanghai Bailian and parties acting in concert with any of them will acquire or dispose of any of the voting rights of the Company during the period from the date of this announcement to the Completion of the Domestic Share Subscription;
- (iv) apart from the Equity Entrustment Agreement and save as disclosed in the section headed “Effect on the Shareholding Structure of the Company” in this announcement, there are no voting rights in the Company or any rights over Shares owned, controlled or directed by Bailian Group, Shanghai Bailian or any party acting in concert with any of them;
- (v) none of Bailian Group, Shanghai Bailian and parties acting in concert with any of them holds any options, warrants or convertible securities or any derivatives relating to Shares that are not yet exercised;
- (vi) none of Bailian Group, Shanghai Bailian and parties acting in concert with any of them has entered into any agreement in respect of outstanding derivative in relation to the securities of the Company that are not yet exercised;
- (vii) there is no arrangement of the kind (whether by way of option, indemnity or otherwise) as referred to in Note 8 to Rule 22 of the Takeovers Code or that had been entered into any contract, in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, Bailian Group or Shanghai Bailian which may be material to the transactions contemplated under the Domestic Share Subscription (including the grant of Specific Mandate and the approval of the Share Subscription Agreement) and/or the Whitewash Waiver;

- (viii) none of Bailian Group, Shanghai Bailian and parties acting in concert with any of them has secured any irrevocable undertaking from any person as to whether or not he/she will vote in favour of or against the resolutions approving the Share Subscription Agreement and the transactions contemplated thereunder, the Special Mandate and/or the Whitewash Waiver;
- (ix) save for the Share Subscription Agreement, there is no agreement or arrangement to which Bailian Group, Shanghai Bailian or any party acting in concert with any of them is a party which involves circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Domestic Share Subscription and/or the Whitewash Waiver;
- (x) save for the Subscription Price payable under the Share Subscription Agreement, no other consideration, compensation or benefit in whatever form to the Company has been or will be paid by Bailian Group, Shanghai Bailian or parties acting in concert with any of them to the Company in relation to the Domestic Share Subscription;
- (xi) apart from the Share Subscription Agreement, there is no understanding, arrangement or agreement or special deal (as defined in Rule 25 of the Takeovers Code) between Bailian Group, Shanghai Bailian or parties acting in concert with any of them on the one hand and the Company on the other hand;
- (xii) there is no understanding, arrangement or agreement or special deal (as defined in Rule 25 of the Takeovers Code) between any Shareholders, and (a) Bailian Group, Shanghai Bailian or parties acting in concert with any of them, or (b) the Company, its subsidiaries or associated companies; and
- (xiii) none of the Bailian Group, Shanghai Bailian or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at date of this announcement, the Company does not believe that the Domestic Share Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Whitewash Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Domestic Share Subscription does not comply with other applicable rules and regulations.

II. INFORMATION OF THE RELEVANT PARTIES

Information relating to the Group

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

Information relating to Bailian Group

The principal business of Bailian Group covers retail businesses such as theme department stores, shopping centres, hypermarkets, standard supermarkets, convenience stores and professional specialty stores, as well as fields including automobile trading, e-commerce, warehousing and logistics, consumer services and electronic information, etc. Bailian Group is owned as to 71% by Shanghai Municipal State-owned Assets Supervision and Administration Commission, 19% by Shanghai Land (Group) Co., Ltd., and 10% by Shanghai Municipal Finance Bureau.

Information relating to Shanghai Bailian

The core businesses of Shanghai Bailian include department stores, shopping centres, outlet malls and supermarket chains, and its current scope of business covers almost all types of retail business. Shanghai Bailian is a joint stock company listed on the Shanghai Stock Exchange (stock code: 600827/900923) and Bailian Group is the controlling shareholder of Shanghai Bailian with direct and indirect shareholding in aggregate of approximately 53.18%.

III. ESTABLISHMENT INDEPENDENT BOARD COMMITTEES

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors who have no direct or indirect interests in the Share Subscription Agreement and transactions contemplated thereunder, namely Mr. Xia Da-wei, Mr. Lee Kwok Ming, Don, Mr. Chen Wei and Mr. Zhao Xin-sheng) has been formed to advise the Independent Shareholders on whether the Domestic Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate) is fair and reasonable and make recommendations as to voting.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Domestic Share Subscription and the Whitewash Waiver, namely Ms. Hu Xiao, Mr. Wong Tak Hung, Mr. Xia Da-wei, Mr. Lee Kwok Ming, Don, Mr. Chen Wei and Mr. Zhao Xin-sheng) has also been formed to advise the Independent Shareholders as to the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and make recommendations as to voting. Since the non-executive Directors, Mr. Pu Shao-hua, Ms. Zhang Shen-yu and Mr. Dong Xiao-chun, are either directors or are holding senior positions in Bailian Group and/or its subsidiaries, they are not included as members of the Whitewash Waiver IBC.

In this regard, the Independent Financial Adviser will be appointed with the approval of the Independent Board Committees as soon as possible to advise the Independent Board Committees and the Independent Shareholders as to whether the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendations as to voting. Further announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

IV. EXTRAORDINARY GENERAL MEETING

The EGM will be convened to consider and, if thought fit, approve the Share Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the proposed amendments to the Articles of Association.

Bailian Group, Shanghai Bailian and parties acting in concert with any of them and their respective associates and any other Shareholder who is involved or interested in the Domestic Share Subscription, the Specific Mandate and the Whitewash Waiver will be required to abstain from voting on the resolutions to be proposed at the EGM for approving the proposed Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

V. DESPATCH OF WHITEWASH CIRCULAR

According to Rule 8.2 of the Takeovers Code, the Whitewash Circular containing, among other things: (i) details of the Share Subscription Agreement and transactions contemplated thereunder, the Whitewash Waiver, the Specific Mandate and the proposed amendments to the Articles of Association; (ii) a letter of recommendation from the Connected Transaction IBC to the Independent Shareholders on the Domestic Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate); (iii) a letter of recommendation from the Whitewash Waiver IBC to the Independent Shareholders on the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; (iv) a letter of advice by the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders on the Share Subscription Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; and (v) a notice of EGM together with the form of proxy, is expected to be despatched to Shareholders within 15 business days from the date of this announcement pursuant to Rule 14A.68 of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is the earlier.

As additional time is required for finalising the information for inclusion in the Whitewash Circular, hence if required, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code and to the Stock Exchange for the extension of time for the dispatch of the Whitewash Circular. Further announcement(s) will be made by the Company as and when appropriate.

Shareholders and potential investors are advised to note that, as the Domestic Share Subscription is subject to the satisfaction of the conditions precedent under the Share Subscription Agreement as set out in the section headed “Conditions precedent to the Share Subscription Agreement” in this announcement, including but not limited to the granting of the Whitewash Waiver by the Executive, the proposed Domestic Share Subscription may or may not proceed. Therefore, shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

VI. DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follow:

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“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 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 (Stock Code: 00980)
“Completion”	the completion of the Domestic Share Subscription
“concert party(ies)”	party or parties acting in concert as defined under the Takeovers Code
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Connected Transaction IBC”	comprising all the independent non-executive Directors who have no direct or indirect interests in the Share Subscription Agreement and transactions contemplated thereunder, namely Mr. Xia Da-wei, Mr. Lee Kwok Ming, Don, Mr. Chen Wei and Mr. Zhao Xin-sheng, formed in accordance with the requirements of Listing Rules and to advise the Independent Shareholders on whether the Domestic Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate) is fair and reasonable and make recommendations as to voting

“Director(s)”	the director(s) of the Company
“Domestic Shareholder(s)”	holder(s) of the Domestic Shares
“Domestic Shares”	ordinary domestic share(s) with par value of RMB1.00 each in the share capital of the Company
“Domestic Share Subscription”	the proposed subscription of new Domestic Shares by Bailian Group pursuant to Share Subscription Agreement
“EGM” or “Extraordinary General Meeting”	extraordinary general meeting of the Shareholders to be held to consider and, if thought fit, approve, among other things, the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the proposed amendments to the Articles of Association
“Equity Entrustment Agreement”	the equity entrustment agreement (《百聯集團有限公司與上海百聯集團股份有限公司之託管協議》) dated 17 April 2015 entered into between Bailian Group and Shanghai Bailian, pursuant to which Shanghai Bailian was entrusted to exercise the shareholder’s rights, other than asset income right and right to dispose of, in respect of 254,160,000 Domestic Shares held by Bailian Group and any additional Shares placed to Bailian Group during the term of the entrustment, and to manage such entrusted Domestic Shares together with the statutory fruits (other than the case portion) in respect thereof upon occurrence of any ex-right events including, among other things, bonus issue and capitalisation issue during the term of the Equity Entrustment Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of its delegates

“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
“H Shareholder(s)”	holder(s) of the H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committees”	Connected Transaction IBC and Whitewash Waiver IBC
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committees and the Independent Shareholders in relation to Share Subscription Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) Bailian Group, Shanghai Bailian and parties acting in concert with any of them and their respective associates; and (ii) all other Shareholders who are interested or involved in the Domestic Share Subscription (including the grant of Specific Mandate and approval of Share Subscription Agreement) and/or the Whitewash Waiver (if any)
“Independent Third Party(ies)”	person(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and its connected person(s) under the Listing Rules
“Last Trading Day”	10 May 2024, being the last full trading day immediately prior to the date of the Share Subscription Agreement

“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 SASAC”	Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Bailian”	Shanghai Bailian Group Co., Limited* (上海百聯集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and a substantial Shareholder of the Company, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 600827/900923)
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	the shares of the Company, including the Domestic Share(s), Unlisted Foreign Share(s) and/or H Share(s)
“Share Subscription Agreement”	the share subscription agreement regarding the Domestic Share Subscription entered into between Bailian Group and the Company on 12 May 2024
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM to issue the new Domestic Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	RMB1.00 per Subscription Share
“Subscription Share(s)”	360,000,000 new Domestic Shares proposed to be subscribed by Bailian Group pursuant to the Share Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unlisted Foreign Share(s)”	the unlisted foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“Whitewash Circular”	a circular containing, among others, details of the Domestic Share Subscription (including the grant of Specific Mandate and the approval of Share Subscription Agreement), the Whitewash Waiver, the proposed amendments to Articles of Association, the letters of advice of the Independent Board Committees and the letter of advice from the Independent Financial Adviser
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations of Rule 26 of the Takeovers Code, in respect of the obligations of Bailian Group and Shanghai Bailian to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Bailian Group, Shanghai Bailian and parties acting in concert with any of them which would otherwise arise as a result of the issue of the new Domestic Shares under the Share Subscription Agreement

“Whitewash Waiver IBC”

comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Domestic Share Subscription and the Whitewash Waiver, namely Ms. Hu Xiao, Mr. Wong Tak Hung, Mr. Xia Da-wei, Mr. Lee Kwok Ming, Don, Mr. Chen Wei and Mr. Zhao Xin-sheng, formed in accordance with the requirements of the Takeovers Code and to advise the Independent Shareholders as to the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and make recommendations as to voting

“%”

per cent

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

Shanghai, the PRC, 12 May 2024

For the purposes of this announcement, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.90867. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

As at the date of this announcement, the Directors of the Company include executive Directors, Mr. Chong Xiao-bing and Ms. Zhang Hui-qin; non-executive Directors, Mr. Pu Shao-hua, Ms. Hu Xiao, Ms. Zhang Shen-yu, Mr. Dong Xiao-chun and Mr. Wong Tak Hung; and independent non-executive Directors, Mr. Xia Da-wei, Mr. Lee Kwok Ming, Don, Mr. Chen Wei and Mr. Zhao Xin-sheng.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to Bailian Group and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the Directors of Bailian Group include Mr. Ye Yong-ming, Mr. Pu Shao-hua, Mr. Cao Shu-ming, Mr. Wang Wei, Ms. Zhang Si-ning, Mr. Xia Zhu-dao, Mr. Cong Shu-hai and Mr. Liu Da-li.

The Directors of Bailian Group jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.