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

**(Stock Code: 00980)**

## **ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

### **GOODS SUPPLY FRAMEWORK AGREEMENT**

On 17 June 2021, the Company entered into the Goods Supply Framework Agreement with Tmall Network, pursuant to which, the Company and its subsidiaries agreed to supply various kinds of goods, including but not limited to fresh produce and foods, to Tmall Network and its subsidiaries, for a term commencing from 17 June 2021 to 31 December 2023 (both days inclusive).

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tmall Network is an indirect wholly-owned subsidiary of Alibaba Holding, which is the holding company of Alibaba China. Alibaba China is a substantial Shareholder and therefore is a connected person of the Company. As such, Tmall Network is an associate of Alibaba China and a connected person of the Company. Accordingly, the transactions contemplated under the Goods Supply Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) for the transactions contemplated under the Goods Supply Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Goods Supply Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **I. GOODS SUPPLY FRAMEWORK AGREEMENT**

The principal terms of the Goods Supply Framework Agreement are set out as below:

### **Date**

17 June 2021

### **Parties**

- (1) The Company (as the supplier); and
- (2) Tmall Network (as the purchaser)

### **Term**

The Goods Supply Framework Agreement is for a term commencing from 17 June 2021 to 31 December 2023 (both days inclusive).

### **Supply of Goods**

The Company and its subsidiaries agreed to supply various kinds of goods, including but not limited to fresh produce and foods, to Tmall Network and its subsidiaries.

The operating units of both parties may enter into individual goods supply contracts setting out specific terms of supply of goods, including the goods to be supplied, price determination method, delivery method and payment arrangement. The payment shall be made by bank transfer. Such terms shall be consistent with the principles and the terms of the Goods Supply Framework Agreement. If there is any discrepancy between the terms of an individual goods supply contract and the Goods Supply Framework Agreement, the latter shall prevail.

## **Consideration and Payment**

The prices for the goods to be supplied under the Goods Supply Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such goods. The payment under the individual goods supply contract is to be made according to the terms of the individual goods supply contract. The prices for the goods supplied by the Company to Tmall Network will not be less favourable to the Company than those available to independent third parties in similar transactions.

## **Historical Amount**

The Company and Tmall Network did not conduct any similar transactions as those under the Goods Supply Framework Agreement in the past. Therefore, there is no historical amount to be provided.

## **Annual Caps**

The respective maximum annual transaction amounts payable by Tmall Network to the Company for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 under the Goods Supply Framework Agreement are set out as follows:

<b>Period</b>	<b>Maximum Transaction Amount (RMB)</b>
From 17 June 2021 to 31 December 2021	30,000,000
From 1 January 2022 to 31 December 2022	40,000,000
From 1 January 2023 to 31 December 2023	40,000,000

Such maximum annual transaction amounts are determined in accordance with:

1. the anticipated increase in categories and amounts of fresh produce and foods to be purchased by Tmall Network due to its business development from the Company and the anticipated increase in the number of subsidiaries of Tmall Network which will purchase goods from the Company; and
2. the anticipated increasing demand for fresh produce and foods in the prevailing markets of the PRC.

### **Reasons for and Benefits of Entering into the Goods Supply Framework Agreement**

The entering into of the Goods Supply Framework Agreement will bring a widened distribution channel of the Group's relevant goods and thus enhancing the sales of the Group. In the meantime, the anticipated increase in purchase amount of the Company will also add to the bargaining power of Group to the suppliers, thus lowering the purchasing costs of goods and enhancing profitability of the Group.

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

### **Internal Control and Pricing Policy**

In order to ensure that the terms provided by the Company under the Goods Supply Framework Agreement are not less favourable than those available to independent third parties, the Company has adopted the following measures:

1. the prices for the goods to be supplied by the Company to Tmall Network will be negotiated on arm's length basis which are determined with reference to the purchasing costs of the goods as well as the operation costs (including administrative costs and labour costs, etc.) to be incurred by the Company for supplying goods to Tmall Network under the Goods Supply Framework Agreement;

2. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. The relevant personnel of the business department of the Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for specific transactions are fair and reasonable and in accordance with the aforesaid pricing policy;
3. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. the Company's audit committee 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
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

## **II. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tmall Network is an indirect wholly-owned subsidiary of Alibaba Holding, which is the holding company of Alibaba China. Alibaba China is a substantial Shareholder and therefore is a connected person of the Company. As such, Tmall Network is an associate of Alibaba China and a connected person of the Company. Accordingly, the transactions contemplated under the Goods Supply Framework Agreement constitute continuing connected transactions of the Company.

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

### **III. BOARD'S APPROVAL**

The Board has approved the entering into of the Goods Supply Framework Agreement and its annual caps, and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Mr. Xu Hong is holding a position in Alibaba Holding, he has abstained from voting on the relevant resolution of the Board to approve the Goods Supply Framework Agreement.

### **IV. GENERAL INFORMATION**

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

Tmall Network is a company incorporated under the laws of the PRC, and is principally engaged in group purchasing and operation of all kinds of merchandise, and technology development. Tmall Network is an indirect wholly-owned subsidiary of Alibaba Holding, a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988). Alibaba Group's mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it aspires to be a good company that will last for 102 years. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives.

## V. DEFINITIONS

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

“Alibaba China”	Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司), a limited liability company incorporated under the laws of the PRC, a wholly-owned subsidiary of Alibaba Holding and a substantial Shareholder of the Company
“Alibaba Group”	Alibaba Holding and its associates
“associates”	has the meaning ascribed to it in the Listing Rules
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)
“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
“Goods Supply Framework Agreement”	the goods supply business cooperation framework agreement entered into between the Company and Tmall Network on 17 June 2021, details of which are disclosed in the announcement
“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
“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
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tmall Network”	Zhejiang Tmall Network Technology Co., Ltd. * (浙江天貓網路科技有限公司), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of Alibaba Holding
“%”	per cent

By order of the Board  
**Lianhua Supermarket Holdings Co., Ltd.**  
**Xu Xiao-yi**  
*Joint Company Secretary*

Shanghai, the PRC, 17 June 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*