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

**(Stock Code: 00980)**

## **ANNOUNCEMENT**

### **ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS**

#### **BACKGROUND**

Reference is made to the circular of the Company dated 15 November 2005 and the announcements of the Company dated 28 November 2008, 28 November 2011, 23 December 2014 and 28 November 2017 relating to, among other things, the leasing of the Premises under the Shanghai Xianxia Leasing Agreement.

The term for the Shanghai Xianxia Leasing Agreement is 20 years commencing from 28 September 2004 to 27 September 2024 and the estimated annual rental payable (including the Basic Rent, Turnover Rent (as defined below) and management fees) under the Shanghai Xianxia Leasing Agreement for each of the three years ending 31 December 2020 is subject to an annual cap of RMB16,000,000.

## ANNUAL CAPS

The Board would like to announce that the estimated annual rental payable (including the Basic Rent, Turnover Rent and management fees) under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 will be subject to an annual cap of RMB16,000,000 and the value of right-of-use assets under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 will be subject to an annual cap of RMB23,700,000.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Century Lianhua is a subsidiary of the Company and Bailian Xijiao is a subsidiary of Shanghai Bailian, a substantial shareholder of the Company. The transactions under the Shanghai Xianxia Leasing Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps of rental payable and the value of right-of-use assets under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 are more than 0.1% but less than 5%, the transactions under the Shanghai Xianxia Leasing Agreement are only subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

## BACKGROUND

Reference is made to the circular of Lianhua Supermarket Holdings Co., Ltd. (the “**Company**”) dated 15 November 2005 (the “**Circular**”) and the announcements of the Company dated 28 November 2008, 28 November 2011, 23 December 2014 and 28 November 2017, respectively (the “**Announcements**”), relating to, among others, the leasing of No. 88 Xian Xia Xi Lu, Chang Ning District, Shanghai, the PRC (the “**Premises**”) under the leasing agreement dated 30 September 2003 (the “**Shanghai Xianxia Leasing Agreement**”) entered into between Shanghai Century Lianhua Supermarket Development Company Limited (“**Century Lianhua**”) and Shanghai Bailian Xijiao Shopping Centre Co., Ltd, formerly known as Shanghai Friendship Shopping Centre Development Co., Ltd (“**Bailian Xijiao**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular and the Announcements.

As at the date of this announcement, Century Lianhua is a subsidiary of the Company and Bailian Xijiao is a subsidiary of Shanghai Bailian Group Co., Ltd., a substantial shareholder of the Company (“**Shanghai Bailian**”). The transactions under the Shanghai Xianxia Leasing Agreement constitute continuing connected transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The term for the Shanghai Xianxia Leasing Agreement is 20 years commencing from 28 September 2004 to 27 September 2024 and the estimated annual rental payable (including the (i) basic rent (RMB7,514,084.4 per year, with a 5% increment from the fourth year and every three years thereafter) (the “**Basic Rent**”); (ii) Turnover Rent (*Note*); and (iii) management fees (RMB2,400,000 per year)) under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 is subject to an annual cap of RMB16,000,000, details of which were disclosed in the Circular and the Announcements.

*Note:*

In the event that the average daily turnover of the hypermarket operated by Century Lianhua at the Premises exceeds RMB640,000, 2.5% of the excess turnover will be payable by Century Lianhua to Bailian Xijiao as turnover rent (the “**Turnover Rent**”). Please refer to the Circular for details of the Turnover Rent.

## **HISTORICAL FIGURES**

The rental paid by Century Lianhua under the Shanghai Xianxia Leasing Agreement for the two years ended 31 December 2018 and 31 December 2019 and for the period ended 25 November 2020 was approximately RMB13,223,139, RMB11,449,387 and RMB10,497,155 (unaudited), respectively.

## **ANNUAL CAPS**

In view of the difficulties in anticipating the Turnover Rent for the entire term of the Shanghai Xianxia Leasing Agreement which lasts for 20 years, the Company did not set out the annual caps for the rental payable for each of the four years ending 31 December 2024 under the Shanghai Xianxia Leasing Agreement in the Circular and the Announcements.

After taking into account the following factors: (i) the 5% increment of the basic rent pursuant to the Shanghai Xianxia Leasing Agreement; (ii) the management fees of RMB2,400,000 per year; and (iii) the expected Turnover Rent payable by Century Lianhua for the four years ending 31 December 2024 in view of the consumption power of the residents in the neighbourhoods of the Premises, the customer traffic of the business circle in which the Premises are located as well as the anticipated rises in prices of consumer goods in the PRC for the four years ending 31 December 2024, the Board would like to announce that the estimated annual rental payable (including the Basic Rent, Turnover Rent and management fees) under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 will be subject to an annual cap of RMB16,000,000.

As the Hong Kong Financial Reporting Standard 16 Leases has become effective on 1 January 2019 and applied to financial years beginning on or after 1 January 2019, with respect to the continuing connected transactions under the Shanghai Xianxia Leasing Agreement, the Company is required to set an annual cap on the value of right-of-use assets in accordance with the requirements of The Stock Exchange of Hong Kong Limited for the four years ending 31 December 2024. The right-of-use assets should be initially measured at estimated cost and be depreciated on a straight line basis over the lease term.

The annual cap for the value of right-of-use assets under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 is RMB23,700,000, which is determined with reference to (i) the expected annual rental payable to Bailian Xijiao by Century Lianhua for the four years ending 31 December 2024; (ii) the discount rate used over the lease term; and (iii) the assumption that no modifications to the Shanghai Xianxia Leasing Agreement would be made during the four years ending 31 December 2024.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SHANGHAI XIANXIA LEASING AGREEMENT**

The reasons for and the benefits of entering into the Shanghai Xianxia Leasing Agreement were set out in the Circular.

As disclosed in the Circular, the Board and the independent non-executive directors of the Company were of the view that the terms and conditions of the Shanghai Xianxia Leasing Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

## INFORMATION OF THE COMPANY

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

## INFORMATION OF CENTURY LIANHUA

Century Lianhua, a subsidiary of the Company, principally operates hypermarkets in China.

## INFORMATION OF BAILIAN XIJIAO

Bailian Xijiao is principally engaged in property development and management and leasing of property in China. Shanghai Bailian, Shanghai Bailian Holding Co., Ltd. (“**Bailian Holding**”) and Shanghai Changning Residential Construction and Development Co., Ltd. (“**Changning Residential**”) holds 75%, 24% and 1% equity interests in Bailian Xijiao. Shanghai Bailian is a joint stock company listed on Shanghai Stock Exchange (stock code: 600827/900923) and Bailian Group Co., Ltd. (“**Bailian Group**”) is the controlling shareholder of Shanghai Bailian with a direct and indirect shareholding of 53.16%. Bailian Group is 100% held by Shanghai State-owned Assets Supervision and Administration Commission. Bailian Group also holds 52% equity interest in Bailian Holding and Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (“**Shanghai Yuyuan**”), a joint stock company listed on Shanghai Stock Exchange (stock code: 600655) holds the remaining 48% equity interest in Bailian Holding. Shanghai Fosun High Technology (Group) Co., Ltd. (“**Fosun High Technology**”) is the controlling shareholder of Shanghai Yuyuan with a direct and indirect shareholding of 68.59%. Fosun High Technology is a wholly-owned subsidiary of Fosun International Limited, a company listed on Main Board of The Stock Exchange of Hong Kong Limited (stock code: 656). Mr. Guo Guangchang indirectly holds 71.09% equity interest in Fosun International Limited. Changning Residential is indirectly 100% held by the State-owned Assets Supervision and Administration Commission of Shanghai Changning District.

## LISTING RULES IMPLICATIONS

Since the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps of rental payable and the value of right-of-use assets under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 are more than 0.1% and less than 5%, the transactions under the Shanghai Xianxia Leasing Agreement are only subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Board has approved the annual caps of rental payable and the value of right-of-use assets under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 under the Shanghai Xianxia Leasing Agreement and none of the Directors have any material interest in the transactions contemplated thereunder. Mr. Ye Yong-ming, Ms. Xu Zi-ying, Mr. Xu Tao, Ms. Zhang Shen-yu and Mr. Dong Xiao-chun abstained from voting at the related Board meeting to approve the aforementioned annual caps for each of the four years ending 31 December 2024 under the Shanghai Xianxia Leasing Agreement by virtue of being the principal management staff of Bailian Group and/or its subsidiaries.

By order of the Board  
**Lianhua Supermarket Holdings Co., Ltd.**  
**Ye Yong-ming**  
*Chairman*

Shanghai, the People's Republic of China, 24 December 2020

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

*Executive Director:* Xu Tao;

*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.