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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**

#### **MARKETING SERVICES AGREEMENT**

On 29 December 2020, the Company entered into the Marketing Services Agreement with Hangzhou Taoxianda, pursuant to which, the Company and Hangzhou Taoxianda agreed to cooperate on marketing, operation assistance, management consultation and technology support, for a term commencing from 29 December 2020 to 31 December 2022 (both days inclusive).

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Hangzhou Taoxianda is an indirect wholly-owned subsidiary of Alibaba Group Holding Limited, 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, Hangzhou Taoxianda is an associate of Alibaba China and a connected person of the Company. Accordingly, the transactions contemplated under the Marketing Services 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 Marketing Services Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Marketing Services 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. MARKETING SERVICES AGREEMENT**

On 29 December 2020, the Company entered into the Marketing Services Agreement with Hangzhou Taoxianda, pursuant to which, the Company and Hangzhou Taoxianda agreed to cooperate on marketing, operation assistance, management consultation and technology support, for a term commencing from 29 December 2020 to 31 December 2022 (both days inclusive).

The principal terms of the Marketing Services Agreement are set out as below:

### **Date**

29 December 2020

### **Parties**

- (1) The Company; and
- (2) Hangzhou Taoxianda

### **Term**

The Marketing Services Agreement is for a term commencing from 29 December 2020 to 31 December 2022 (both days inclusive).

### **Marketing Services**

The Company and Hangzhou Taoxianda agreed to cooperate on marketing, operation assistance, management consultation and technology support.

Pursuant to the Marketing Services Agreement, Hangzhou Taoxianda will distribute different kinds of coupons of the Company as a marketing method on its electronic platform for use at the supermarkets and hypermarkets of the Company during a specific promotion period as agreed between the two parties. Therefore, the electronic platform of Hangzhou Taoxianda as well as the supermarkets and hypermarkets of the Company both get promoted through such marketing activities. In order to realise such cooperation on marketing, the Company will update the electronic payment system in the supermarkets and hypermarkets in accordance with Hangzhou Taoxianda's requirements and with its assistance to ensure smooth redemption of such coupons.

Since the Company provides actual discount to the customers who use such coupons, Hangzhou Taoxianda will bear the discounted payment and settle such discounted payment with the Company after the end of the promotion period. The payment to be made by Hangzhou Taoxianda to the Company are calculated as follows: total amount of the payment = the discount reflected on the coupons  $\times$  the number of coupons actually used in the supermarkets and hypermarkets of the Company.

### **Consideration and Payment**

The discounts to be provided by the Company under the Marketing Services Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between both parties on the basis of the prevailing market conditions for promotional activities. Since Hangzhou Taoxianda will settle the discounted payment with the Company and will not charge the Company any service fee for such cooperation, Hangzhou Taoxianda will in fact provide marketing services to the Company for free.

In addition, Hangzhou Taoxianda will provide the details of the discounts provided by the Company within one business day after the end of the promotion period. The payment is to be made by Hangzhou Taoxianda to the Company within ten business days after the amount of the discounts is confirmed by both parties. Therefore, the settlement period of such discounted payment by Hangzhou Taoxianda to the Company is relatively short.

Based on the currently available information, the Company considers that the cooperation method contemplated under the Marketing Services Agreement is a brand new one in the retail market and there is no available market price or practise for such cooperation. Taking into account the fact that Hangzhou Taoxianda will in fact provide the relevant service for free and the relatively short settlement period for the discounted payment, the Company is of the view that the terms under the Marketing Services Agreement will not be less favourable than those available from independent third parties in similar transactions (if any).

### **Historical Amount**

The Company and Hangzhou Taoxianda did not conduct any similar transactions as those under the Marketing Services Agreement in the past. Therefore, there is no historical amount to be provided.

## Annual Caps

The respective maximum annual transaction amounts payable by Hangzhou Taoxianda for the financial years ending 31 December 2021 and 31 December 2022 under the Marketing Services Agreement are set out as follows:

<b>Period</b>	<b>Maximum Transaction Amount (RMB)</b>
From 1 January 2021 to 31 December 2021	40,000,000
From 1 January 2022 to 31 December 2022	50,000,000

The Company anticipates that the transaction amounts payable by Hangzhou Taoxianda for the year ending 31 December 2020 will fall within the de minimis threshold and thus the transactions in 2020 under the Marketing Services Agreement are fully exempt.

Such maximum annual transaction amounts are determined in accordance with:

1. the estimated number of coupons to be distributed through the platform of Hangzhou Taoxianda based on anticipated customer and market development;
2. the estimated discounts to be provided to the customers based on the development of the marketing and sales campaigns under new retail;
3. the enhanced operation efficiency of the hypermarkets and supermarkets operated by the Group due to the internet technologies provided by Hangzhou Taoxianda; and
4. the anticipated growth of the Group's operation scale under the Marketing Services Agreement.

## **Reasons for and Benefits of Entering into the Marketing Services Agreement**

The Company and the member companies of Alibaba Group Holding Limited have carried out a series of business cooperation. The transactions contemplated under the Marketing Services Agreement between the Company and Hangzhou Taoxianda is beneficial for the Group to further introduce customer traffic to offline operations from online services, expand the Group's retail channels and optimize the Group's revenue by taking advantage of the services provided by Hangzhou Taoxianda based on new retail model.

The Directors (including the independent non-executive Directors) consider that the terms of the Marketing Services 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 under the Marketing Services Agreement are not less favourable than those available from independent third parties, the Company has adopted the following measures:

1. the discounts to be provided by the Company under the Marketing Services Agreement will be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between both parties on the basis of the prevailing market conditions for promotional activities, which will be determined with reference to marketing budget of each party of the years 2021 and 2022 respectively. In addition, the Company will also follow up on the marketing cooperation methods between the retailers and e-commerce platforms in the retail industry and regularly review the current cooperation method under the Marketing Services Agreement based on such information;

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 practice for the purpose of considering if the terms of the transactions under the Marketing Services Agreement 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, Hangzhou Taoxianda is an indirect wholly-owned subsidiary of Alibaba Group Holding Limited, 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, Hangzhou Taoxianda is an associate of Alibaba China and a connected person of the Company. Accordingly, the transactions contemplated under the Marketing Services 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 Marketing Services Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Marketing Services 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 the Marketing Services Agreement and the corresponding annual caps, and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Mr. Xu Hong is holding positions in Alibaba Group Holding Limited, he has abstained from voting on the relevant resolution of the Board to approve the Marketing Services 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.

Hangzhou Taoxianda is a company incorporated under the laws of the PRC, which mainly provides services based on the new retail business model. Hangzhou Taoxianda is an indirect wholly-owned subsidiary of Alibaba Group Holding Limited, a company incorporated in the Cayman Islands with limited liability (American Depositary Shares of which are listed on the New York Stock Exchange (symbol: BABA) and shares of which are listed on the Main Board of the Stock Exchange (stock code: 9988)).

### 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 substantial Shareholder
“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
“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
“Hangzhou Taoxianda”	Hangzhou Taoxianda Network Technology Co., Ltd.* (杭州淘鮮達網絡科技有限公司)
“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
“Marketing Services Agreement”	the marketing services agreement entered into between the Company and Hangzhou Taoxianda on 29 December 2020, details of which are disclosed in the announcement
“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
“%”	per cent

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

Shanghai, the PRC, 29 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.

\* for identification purposes only