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

(Stock Code: 00980)

ANNOUNCEMENT

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Reference is made to the circular of the Company dated 26 October 2018 and the announcements of the Company dated 8 October 2018, 3 April 2019, 5 December 2019 and 22 June 2020 in relation to, among others, the continuing connected transactions, the term of which will expire on 31 December 2021.

The Board announced that on 24 September 2021, the Company agreed to enter into ten agreements to regulate the relevant continuing connected transactions, namely (i) the Financial Services Agreement, (ii) the Sales Agency Framework Agreement, (iii) the Rajax Logistics and Delivery Services Framework Agreement, (iv) the Membership Points Agency and Settlement Service Agreement, (v) the Smart Cards Arrangement Agreement, (vi) the Property Management Framework Agreement, (vii) the Leasing Framework Agreement, (viii) the Property Leasing Framework Agreement, (ix) the Logistics and Delivery Services Framework Agreement, and (x) the Logistics Resources Leasing Framework Agreement.

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, to approve, among others, the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including their respective proposed annual caps). The circular of the Company will be issued by the Company and despatched to the Shareholders on or before 26 October 2021.

I. BACKGROUND

Reference is made to the circular of the Company dated 26 October 2018 and the announcements of the Company dated 8 October 2018, 3 April 2019, 5 December 2019 and 22 June 2020 in relation to, among others, the continuing connected transactions, the term of which will expire on 31 December 2021.

The Board announced that on 24 September 2021, the Company agreed to enter into the following ten agreements with the respective counterparties to regulate the continuing connected transactions:

- (i) **Financial Services Agreement:** the Company entered into the Financial Services Agreement with Bailian Group and Bailian Finance, pursuant to which, Bailian Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein for a term commencing from 1 January 2022 to 31 December 2024;
- (ii) **Sales Agency Framework Agreement:** the Company entered into the Sales Agency Framework Agreement with Bailian Omni-channel, pursuant to which, Bailian Omni-channel agreed to sell the Goods (as defined below) on behalf of the Group through its e-commerce platform for a term commencing from 1 January 2022 to 31 December 2022;
- (iii) **Rajax Logistics and Delivery Services Framework Agreement:** the Company entered into the Rajax Logistics and Delivery Services Framework Agreement with Hangzhou Rajax, pursuant to which, Hangzhou Rajax agreed to provide logistics and delivery services to the Group, including but not limited to the provision of delivery information, resources connection and delivery, allocation, and return of goods within Shanghai and delivery and storage management services outside Shanghai for a term commencing from 1 January 2022 to 31 December 2024;
- (iv) **Membership Points Agency and Settlement Service Agreement:** the Company entered into the Membership Points Agency and Settlement Service Agreement with Bailian Finance, pursuant to which, Bailian Finance agreed to provide the Group with deposit, withdrawal and settlement services for the membership points of the Company for a term commencing from 1 January 2022 to 31 December 2024;

- (v) **Smart Cards Arrangement Agreement:** the Company entered into the Smart Cards Arrangement Agreement with Bailian Group, pursuant to which, the parties agreed to make certain arrangements to enable them to accept payments of purchases from the customers by using the smart cards of the other party within their respective sales networks for a term commencing from 1 January 2022 to 31 December 2024;
- (vi) **Property Management Framework Agreement:** the Company entered into the Property Management Framework Agreement with Bailian Group, pursuant to which, Bailian Group agreed to provide the Company with property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term commencing from 1 January 2022 to 31 December 2024;
- (vii) **Leasing Framework Agreement:** the Company entered into the Leasing Framework Agreement with Bailian Group, pursuant to which, Bailian Group agreed to lease certain premises to the Group for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices for a term commencing from 1 January 2022 to 31 December 2024;
- (viii) **Property Leasing Framework Agreement:** the Company entered into the Property Leasing Framework Agreement with Bailian Group, pursuant to which, the Company (and/or its subsidiaries) agreed to lease properties to Bailian Group (and/or its subsidiaries) for use as shopping mall, offices or other purposes for a term commencing from 1 January 2022 to 31 December 2024;
- (ix) **Logistics and Delivery Services Framework Agreement:** the Company entered into the Logistics and Delivery Services Framework Agreement with Bailian Group, pursuant to which, the Company agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group for a term commencing from 1 January 2022 to 31 December 2024; and
- (x) **Logistics Resources Leasing Framework Agreement:** the Company entered into the Logistics Resources Leasing Framework Agreement with Bailian Group, pursuant to which, Bailian Group agreed to lease to the Group logistics resources, including but not limited to trays and other logistics resources, for the Group's daily logistics needs for a term commencing from 1 January 2022 to 31 December 2024.

II. AGREEMENTS FOR MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

1. Financial Services Agreement

Reference is made to the circular of the Company dated 26 October 2018 in relation to the existing financial services agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) the Company;
- (b) Bailian Group; and
- (c) Bailian Finance

Term

The Financial Services Agreement is for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Major Terms

- (1) Bailian Finance shall provide the Group with the following major services subject to the terms and conditions provided therein:
 - (i) financial and financing consultation, credit certification and other relevant advisory and agency services;
 - (ii) assistance in receipt and payment of transaction monies;
 - (iii) insurance agency services;

- (iv) provision of guarantees to the Group;
 - (v) entrusted loans services;
 - (vi) draft acceptance and discount services;
 - (vii) settlement services including payment and clearance services;
 - (viii) deposit services;
 - (ix) loan and financial leasing services; and
 - (x) other financial services at the request of the Company provided that the relevant approvals from the CBIRC are obtained.
- (2) Deposit cap: the maximum daily balance of the Group's deposits with Bailian Finance (including any interest accrued therefrom) for each of the three years ending 31 December 2024 is RMB1.2 billion.
- (3) Bailian Finance has undertaken to adhere to the principles below in relation to the provision of the aforementioned financial services to the Group:
- (i) the interest rates payable by Bailian Finance to the Group for any deposits shall not be lower than the benchmark interest rates for comparable deposits as announced by the PBOC and shall not be lower than the interest rates paid by other major commercial banks in the PRC for comparable deposits. As at the date of this announcement, the benchmark interest rates for deposits as announced by the PBOC for 6-month deposit, one-year deposit and two-year deposit are 1.30%, 1.50% and 2.10% per annum, respectively. The average monthly interest rates offered by Bailian Finance to the Group for the two financial years ended 31 December 2019, 31 December 2020 and the eight months ended 31 August 2021 were 4.17%, 3.64% and 3.33% per annum, respectively;

- (ii) the interest rates to be charged for loans to be granted to the Group by Bailian Finance shall not be higher than the Loan Prime Rate (LPR) as announced by the PBOC during the same period and shall not be higher than the lending rates charged by other major commercial banks in the PRC for comparable loans during the same period. As at the date of this announcement, the LPR as announced by the PBOC for the term of one year and over five years are 3.85% and 4.65%, respectively. In August 2021, Bailian Finance provided a commercial loan of RMB600 million to Lianhua Huashang, a subsidiary of the Company, with a term of one year and a loan interest rate of 4.0%;
 - (iii) the service fees to be charged by Bailian Finance for the provision of other financial services to the Group, other than the deposit and loan services, shall not be higher than the service fees charged by other financial institutions in the PRC for comparable services, and the total service fees to be charged by Bailian Finance for the provision of other financial services to the Group shall not be more than RMB5 million per year; and
 - (iv) the terms of services to be provided to the Group by Bailian Finance shall be no less favourable than those of comparable services provided by other financial institutions in the PRC.
- (4) Bailian Group has made, among others, the following undertakings to the Company in the Financial Services Agreement:
- (i) it will procure Bailian Finance to perform its obligations and undertakings under the Financial Services Agreement; and
 - (ii) it will guarantee the payment of all the Group's deposits (including any interest accrued therefrom) deposited with Bailian Finance in the event of default of payment by Bailian Finance to the Company.

- (5) The Company and Bailian Finance will enter into individual financial services agreements for specific financial services, which will be subject to the proposed annual caps under the Financial Services Agreement. The terms of such individual financial services agreements will be consistent with the principles of the Financial Services Agreement. If there is any discrepancy between the terms of an individual financial services agreement and the Financial Services Agreement, the latter shall prevail.

Capital Risk Control Measures

Bailian Finance shall take the following capital risk control measures:

- (1) Bailian Finance shall ensure the safety, liquidity and reasonable profitability of the Group's deposited funds.
- (2) Bailian Finance shall ensure efficient, prompt and safe settlement of the Group's funds with the use of Bailian Finance's internet banking system and its direct business connection technology and service platform.
- (3) Bailian Finance shall implement periodic evaluation system and establish internal control system and risk monitoring indicators to ensure the secure operation of its fund settlement and clearance network, protect the safety of funds, control risk exposure and satisfy the withdrawal requests from the Group for any deposited funds.
- (4) Bailian Finance shall ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as gearing ratio, inter bank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC and other relevant laws and regulations.
- (5) Bailian Finance shall provide annual audit reports periodically to the Company and other financial reports upon the Company's request, and shall report its operation and financial condition to the Company periodically and authorize the Company's auditors to review and inspect its relevant accounting records so as to allow the Company to fulfill certain requirements of the Listing Rules.

Historical Amounts

Deposit Services:

The historical transaction amounts for the deposit services provided by Bailian Finance are as follows:

For the year/period ended	Maximum daily balance of the Group's deposits (Billion RMB)
31 December 2019	0.83
31 December 2020	1.09
31 August 2021	1.00

Other Services:

The historical transaction amounts for other services provided by Bailian Finance for the two years ended 31 December 2019, 31 December 2020 and for the eight months ended 31 August 2021 are nil.

Proposed Annual Caps and Basis for Proposed Annual Caps

Deposit Services:

The proposed annual caps in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Bailian Finance are RMB1.2 billion for each of the three years ending 31 December 2024 after taking into account of the following factors:

- (i) the historical maximum daily deposit balance placed by the Group in Bailian Finance, which was approximately RMB0.83 billion, RMB1.09 billion and RMB1.00 billion for each of the two years ended 31 December 2020 and for the eight months ended 31 August 2021, respectively;

- (ii) the expected demand for cash flow of the Group for each of the three years ending 31 December 2024 after considering the operation and development plan of the Company;
- (iii) the Group planned to further change its business operation model, outlets and commodities structure and expected that the customer flow, sales and profitability of the Group would also increase. It was estimated that the Group would open about 200 to 300 new stores during each of the three years ending 31 December 2024 and the operation scale of the Group would increase correspondingly;
- (iv) the expected amount of interest income from Bailian Finance taking into account the interest income that could otherwise be obtained by placing comparable amount of deposits with other major commercial banks in the PRC; and
- (v) in view of the satisfactory cooperation relationship with Bailian Finance in the past, the Company anticipates that it will make more deposits with Bailian Finance in the ensuing three years.

In view of the above factors, the Directors (excluding the independent non-executive Directors, whose opinion on the matters will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) consider that the proposed annual caps in respect of the provision of deposit services by Bailian Finance under the Financial Services Agreement are fair and reasonable.

Loan Services:

Since the loan services to be provided by Bailian Finance to the Group are on normal commercial terms which are similar to or even more favourable than those offered by other major commercial banks in the PRC, and that no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

Other Services:

Apart from the deposit services and the loan services, other financial services which may be provided by Bailian Finance to the Company mainly include entrusted loans services, settlement services, draft acceptance and discount services, financial leasing services, and so forth.

The proposed annual caps in respect of the maximum transaction amounts for other services payable by the Company to Bailian Finance are RMB5 million for each of the three years ending 31 December 2024 after taking into account of the following factors:

- (i) in order to improve the efficiency of the Company's capital utilization, the Company will strengthen the financial service cooperation with Bailian Finance;
- (ii) the Company will also cooperate with Bailian Finance in other financial services.

As the highest applicable percentage ratio for other services provided by Bailian Finance to the Company is more than 0.1% but less than 5%, other services provided by Bailian Finance to the Company under the Financial Services Agreements are subject to the reporting, annual review and announcement requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Internal Control and Pricing Policy

The interest rates for deposits, loans and the service fees for other financial services are determined after considering the interest rates and service fees offered or charged by other major commercial banks in the PRC for provision of comparable deposits, loans and other financial services.

There are stringent internal control policies of the Company with regard to financial service transactions. The relevant personnel of the finance department of the Company would compare the deposit interest rates quoted from other independent third parties (including at least three financial institutions and commercial banks in the PRC, such as Bank of Shanghai, Shanghai Pudong Development Bank, Industrial and Commercial Bank of China) and from the PBOC on a regular basis, and such research and comparison results will be reported by the relevant personnel of the finance department to the head of the finance department of the Company. With the aforementioned research and comparison results, the head of the finance department of the Company (who has the approval power for deposit transaction with Bailian Finance) will make sure the interest rates receivable by the Company for the Company's deposits with Bailian Finance shall not be lower than the interest rates receivable from those offered by other independent commercial banks for comparable deposits during the same period.

By adopting the policies set out above, the Company can ensure that (i) the interest rates receivable by the Company for the Company's deposits shall not be lower than the interest rates offered by other independent commercial banks for comparable deposits in the PRC during the same period in order to ensure the safety and yield on the deposited funds; and (ii) the loan interest rates and service fees charged by Bailian Finance shall not be higher than that charged by other independent commercial banks for providing comparable loans and services in the PRC during the same period.

Reasons for and Benefits of Entering into the Financial Services Agreement

- (1) The interest rates on deposits and loans to be offered by Bailian Finance to the Group will be equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.
- (2) Bailian Finance is established as a non-banking financial institution regulated by the PBOC and the CBIRC and provides its services in accordance with the rules and operational requirements of these regulatory authorities. In addition, capital risks are reduced through the introduction of the risk control measures stipulated in the Financial Services Agreement.
- (3) Bailian Group has undertaken to guarantee the repayment of all the Group's deposits (including any interest accrued therefrom) deposited with Bailian Finance.
- (4) The Company is expected to benefit from Bailian Finance's better understanding of the operations of the Company which will allow more expedient and efficient services than those rendered by other PRC commercial banks. For example, in the event that the Company considers that it is necessary to obtain loan and guarantee from Bailian Finance in view of its business and financial needs, it is expected that the time required for the examination and approval of the loans and guarantee to be provided by Bailian Finance will be shorter than those required by other commercial banks.
- (5) By entering into the Financial Services Agreement with Bailian Group and Bailian Finance, the Company will be able to centralize its control and management over the financial resources of the Group, therefore improve the utilization and efficiency of fund usage and mitigate its operating risks. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation. Meanwhile, the financial services to be provided under the Financial Services Agreement are diversified and can meet the business needs of the Company.

In view of the above, the Directors (excluding the independent non-executive Directors, whose opinion on the matters will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) are of the view that the capital risk control measures under the Financial Services Agreement are adequate to cover the risks involved in depositing funds of the Group with Bailian Finance, the terms of the Financial Services Agreement are fair and reasonable and the Financial Services Agreement is entered into on normal commercial terms, and on terms no less favourable than those available from independent third parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

2. Sales Agency Framework Agreement

Reference is made to the circular of the Company dated 26 October 2018 in relation to the existing sales agency framework agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) Bailian Omni-channel (as agent); and
- (b) the Company (as principal)

Term

The Sales Agency Framework Agreement is for a term of one year commencing from 1 January 2022 to 31 December 2022 (both days inclusive).

Sales Agency

Pursuant to the Sales Agency Framework Agreement, Bailian Omni-channel agreed to sell the goods (namely, food, washing detergent, fresh produce, home textiles, home appliances and miscellaneous items) (the “**Goods**”) on behalf of the Group through its e-commerce platform.

Bailian Omni-channel will settle the Selling Prices (as defined below) once the Company issues an invoice to Bailian Omni-channel for the sales of Goods on its e-commerce platform, while the Company will pay Bailian Omni-channel the platform usage fee which is (i) equivalent to 4% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries through the main site of their e-commerce platforms and shall not exceed 4% of the sales budget of the Goods, and the payment handling fees paid by the Company to Bailian Omni-channel shall be charged on a cost-incurred basis and shall not exceed 0.5% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries through the main site of their e-commerce platforms; and (ii) equivalent to 1% of the total transaction amount of Goods sold by third-parties through the main site of the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries during the term of the Sales Agency Framework Agreement.

The parties and/or its subsidiaries will enter into individual sales agency contracts setting out specific terms including the transaction price determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Sales Agency Framework Agreement. If there is any discrepancy between the terms of an individual sales agency contract and the Sales Agency Framework Agreement, the latter shall prevail.

The Company or its subsidiaries has the sole discretion to set the selling prices of the Goods (the “**Selling Prices**”) to be sold on the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries. The prices at which the Company or its subsidiaries charges Bailian Omni-channel and/or its subsidiaries for the supply of the Goods is the same as the Selling Prices.

Consideration and Payment

- (1) The Selling Prices are set solely by the Company or its subsidiaries with reference to the prevailing prices of the comparable Goods sold at the outlets of the Group during the same period and as such, the Selling Prices are subject to the same pricing policies as that of the Group with respect to its outlets. This would ensure that the Selling Prices would not be less favourable than those available from independent third parties in real-time.
- (2) The Company agrees to pay Bailian Omni-channel the platform usage fee which is (i) equivalent to 4% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries through the main site of their e-commerce platforms and shall not exceed 4% of the sales budget of the Goods, and the payment handling fees paid by the Company to Bailian Omni-channel shall be charged on a cost-incurred basis and shall not exceed 0.5% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries through the main site of their e-commerce platforms; and (ii) equivalent to 1% of the total transaction amount of Goods sold by third-parties through the main site of the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries during the term of the Sales Agency Framework Agreement. Other than the above, Bailian Omni-channel and/or its subsidiaries do not charge the Company or its subsidiaries any additional fees or charges for the use of their e-commerce platforms and the price charged by the Company or its subsidiaries for the supply of Goods to Bailian Omni-channel and/or its subsidiaries is the same as the Selling Prices of the Goods sold on the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries.
- (3) Depending on the specific conditions of transactions contemplated under the individual sales agency contracts, the platform usage fee payable by the Company or its subsidiaries to Bailian Omni-channel and/or its subsidiaries and the Selling Prices payable by Bailian Omni-channel and/or its subsidiaries to the Company or its subsidiaries under the individual sales agency contracts are to be made by bank transfer on a monthly or agreed period basis and shall be consistent with the market payment terms of purchasing such particular type of Goods.

- (4) The transactions contemplated under the Sales Agency Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Omni-channel on normal commercial terms and on terms not be less favourable than those available from independent third parties.

The shopping procedures and payment method for the transactions under the Sales Agency Framework Agreement are set out as follows:

- (1) The end customer will place an order for the purchase of Goods and pay the Selling Prices to Bailian Omni-channel on its e-commerce platform. After Bailian Omni-channel and/or its subsidiaries receives an order from the end customer on its e-commerce platform, it will notify the Company or its subsidiaries of the order. Upon receiving such notification, the Company or its subsidiaries will deliver the Goods through a third party logistic company directly to the end customer. Once the Goods have been delivered, Bailian Omni-channel and/or its subsidiaries will be notified by the Company or its subsidiaries.
- (2) The Company will issue an invoice to Bailian Omni-channel with respect to all the orders that have been completed based on the Selling Prices every month. Bailian Omni-channel will settle the Selling Prices which is equivalent to the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through its e-commerce platform.
- (3) After the Selling Prices are settled by Bailian Omni-channel, the Company will pay Bailian Omni-channel the platform usage fee which is (i) equivalent to 4% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries through the main site of their e-commerce platforms and shall not exceed 4% of the sales budget of the Goods, and the payment handling fees paid by the Company to Bailian Omni-channel shall be charged on a cost-incurred basis and shall not exceed 0.5% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries through the main site of their e-commerce platforms; and (ii) equivalent to 1% of the total transaction amount of Goods sold by third-parties through the main site of the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries during the term of the Sales Agency Framework Agreement.

Historical Amounts

The historical transaction amounts for the sales agency services provided by Bailian Omni-channel are as follows:

For the year/period ended	Transaction amounts (RMB)	Platform usage fees (RMB)
31 December 2019	442,377,000	19,887,000
31 December 2020	600,780,000	27,358,000
31 August 2021	595,078,000	22,717,000

Proposed Annual Caps and Basis for Proposed Annual Caps

In 2020, the national e-commerce transaction amount reached approximately RMB37.21 trillion, representing a year-on-year increase of approximately 4.5%; the online retail sales amounted to approximately RMB11.76 trillion, representing a year-on-year increase of approximately 10.9%, where the growth rate decreased by 5.6 percentage points over the previous year; the national online shopping users reached approximately 782 million, accounting for approximately 79.1% of the total number of Internet users, representing a year-on-year increase of approximately 20.5%. As such, the Company expects that, as the PRC government introduces policies to promote e-commerce into rural areas, communities, middle and small cities, while accelerating the integration of online and offline developments, there will be further rapid and significant growth in online retail sales over the next year.

Based on the assumption of rapid growth in online sales in the PRC, it is expected that the maximum aggregate annual transaction amount in respect of the Goods to be sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group under the Sales Agency Framework Agreement for the year ending 31 December 2022 is RMB1.6 billion, which is determined in accordance with the following factors:

- (i) the anticipated continuously increasing demands for the Goods to be sold on the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries under the Sales Agency Framework Agreement. The Goods sold by the Company mainly comprises fast-moving consumer goods which focus on catering the livelihood needs. The “Delivery to Home” business promoted on the e-commerce platforms also focus on fulfilling the actual needs of customers’ daily life. Therefore, the Company considers that there is huge potential in such market and such market has huge attractions to customers;
- (ii) considering the fact that the transactions amounts between the Group and Bailian Omni-channel under the Sales Agency Framework have shown a growth trend of more than 35% in the past three years, it is anticipated that there will be a significant increase in the Company’s sales of Goods on the e-commerce platforms of Bailian Omni-channel with the continuous improvements of this module, the continuous expansions of the types of commodities, especially the expansion of types of fresh produce and the continuous improvements in the services provided (including the decreased delivery time from three hours to an hour of the “Delivery to Home” business);
- (iii) in the past three years, the Company cooperated with the e-commerce platforms of Bailian Omni-channel for the sales agency business only in Shanghai, Anhui Province and Jiangsu Province. Taking into consideration the continuous perfection of the platforms of Bailian Omni-channel and the deepened cooperation between both parties, the Company will start to cooperate with Bailian Omni-channel in 2022 in other operating areas of the Company, including Zhejiang, Guangxi and Henan to promote the full expansion of the e-commerce business of the Company. There are also considerable outlet scales and mature customer groups that are not weaker than those in Shanghai in such operating areas. It is estimated that the online sales of the Company will increase significantly; and
- (iv) the e-commerce businesses of Bailian Omni-channel and/or its subsidiaries have been developed and continuously perfected in the past three years and already obtained a comparably large customer flow base and user stickiness. Moreover, it is expected that the periodical promotion activities will attract more online customer flows.

It is expected that the maximum platform usage fee payable by the Group under the Sales Agency Framework Agreement for the year ending 31 December 2022 is RMB50 million which are determined in accordance with the following factors:

- (i) The fee for using e-commerce platforms of Bailian Omni-channel and/or its subsidiaries which amounts to (a) 4% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries on the main site of their e-commerce platforms and shall not exceed 4% of the sales budget of the Goods; and (b) 1% of the total transaction amount of Goods sold by third-parties through the main site of the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries.

The ratio for the fee for using e-commerce platforms of Bailian Omni-channel and/or its subsidiaries is negotiated on arm's length basis of both parties and with reference to the prices of relevant services quoted from two independent third parties (namely, JD Daojia (京東到家) and Meituan Waimai (美團外賣)) for the sales of the same Goods. Although these two independent third party platforms have been widely recognised by the public, which in turn can provide customer flow to the online business of the Company and increase the sales of the Company, the sales agency services provided by them are not totally comparable to those provided by Bailian Omni-channel for the following reasons:

- (a) the online e-commerce platform of Bailian Omni-channel is tailor-made for the Company, which could integrate the e-commerce business and offline business, for example the membership and merit point systems in the offline business will apply to the e-commerce business in order to retain the existing customers and capture new customers. Other tailor-made services will also be provided to customers of the Group such as providing recommendations to customers on fresh produce that are in season in order to strengthen customers' loyalty. Such tailor-made services would not be available in other existing platforms; and

- (b) Bailian Omni-channel provides and intends to provide similar services to its connected persons (including the Group) only and no independent third party sellers will be involved. Among those connected sellers, the Company's products will have a higher priority and higher visibility in the platform operated by Bailian Omni-channel. Products of the Group will be put at first priority of Bailian Omni-channel and thus will be displayed on the first page of the e-commerce platform as well as the relevant search results of the e-commerce platform in order to have higher exposure to the public. Bailian Omni-channel also provides the Company with other additional services, including maintaining the customised web pages of the Company on its e-commerce platform and providing instant after-sale services for the Goods sold on its e-platform. These selling strategies are expected to boost the sales of the Company via e-commerce platform.

In addition, engaging an independent contractor to develop a tailor-made e-commerce platform would normally involve vast sum of cash outlay, whilst the arrangement of platform usage fee as contemplated under the Sales Agency Framework Agreement, which will be a percentage to the actual sales to be recognised through the e-commerce platform of Bailian Omni-channel, would allow the Group to avoid such vast sum of cash outlay. Therefore, the Company considers that the platform usage fee charged by Bailian Omni-channel is fair and reasonable taking into consideration of all factors mentioned above.

- (ii) To the best knowledge of the Directors, other independent third party platforms (other than JD Daojia (京東到家) and Meituan Waimai (美團外賣)) charge different platform usage fees for different types of goods sold or services provided on their e-commerce platforms, and according to the Company's assessment, the average platform usage fee for the Goods would be above 4% of the total transaction amounts if the Company is to use any of the platforms provided by those independent third parties. As such, the platform usage fee of 4% of the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries on the main site of their e-commerce platforms (no higher than 4% of the sales budget of the Goods) and 1% of the total transaction amount of Goods sold by third-parties through the main site of the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries payable to Bailian Omni-channel and/or its subsidiaries would not be less favourable.
- (iii) The proposed annual cap in respect of the Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group for the year ending 31 December 2022 is RMB1.6 billion.

The Directors (excluding the independent non-executive Directors, whose opinion on the matters will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) consider that the proposed annual cap under the Sales Agency Framework Agreement are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms for the sales agency services provided by Bailian Omni-channel and/or its subsidiaries are not less favourable than those available from independent third parties, the Group has adopted the following measures:

- (1) The Selling Prices are set solely by the Company or its subsidiaries with reference to the prevailing prices of the comparable Goods sold at the outlets of the Group during the same period and as such, the Selling Prices are subject to the same pricing policies as that of the Group with respect to its outlets. This would ensure that the Selling Prices would not be less favourable than those available from independent third parties in real-time.
- (2) The platform usage fee for using the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries are negotiated on arm's length basis and with reference to the prices of relevant comparable services quoted from two independent third parties. The personnel in the electronic business department of the Company will regularly monitor the prevailing market price for the platform usage fee and will submit by writing their updates on the relevant prevailing market price for the platform usage fee semi-annually to the head of electronic business department.
- (3) 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 Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the above two pricing policies.
- (4) The Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions.

- (5) 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/or its relevant subsidiaries.
- (6) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and Benefits of Entering into the Sales Agency Framework Agreement

In view of the increasing business scale of Bailian Omni-channel and its subsidiaries, the Company considers that Bailian Group's development of e-commerce will promote the Group's development of e-commerce and bring more sources of revenue for the Company, and the entering into of the Sales Agency Framework Agreement with Bailian Omni-channel and/or its subsidiaries will provide a new platform for and greatly increase the volume of the sale of Goods of the Company.

The Company considers that the entering into of the Sales Agency Framework Agreement with Bailian Omni-channel and/or its subsidiaries will further enhance their business relationships, which will benefit the stability of the Company's operation activities and long-term development.

In view of the above, the Directors (excluding the independent non-executive Directors, whose opinion on the matters will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) are of the view that the terms of the Sales Agency Framework Agreement are fair and reasonable and the Sales Agency Framework Agreement is entered into on normal commercial terms, and on terms no less favourable than those available from independent third parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

3. Rajax Logistics and Delivery Services Framework Agreement

Reference is made to the announcements of the Company dated 3 April 2019 and 22 June 2020 in relation to the existing logistics and delivery services framework agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

(a) the Company (as the service recipient); and

(b) Hangzhou Rajax (as the service provider)

Logistics and Delivery Services

Hangzhou Rajax and its subsidiaries agreed to provide logistics and delivery services to the Group, including but not limited to the provision of delivery information, resources connection and delivery, allocation, and return of goods within Shanghai and delivery and storage management services outside Shanghai. The operating units of both parties may enter into individual logistics and delivery services contracts setting out specific terms of logistics and delivery services, including the services to be provided, price determination method and payment. Such terms shall be consistent with the principles and the terms of Rajax Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Rajax Logistics and Delivery Services Framework Agreement, the latter shall prevail.

Consideration and Payment

The prices for the services to be provided under the Rajax Logistics and Delivery Services 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 services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contract. However, the payment shall be made by bank transfer. The prices for the services provided by Hongzhou Rajax will not be less favourable than those available from independent third parties in similar transactions.

Historical Amounts

The historical transaction amounts for the Rajax Logistics and Delivery Services Framework Agreement are as follows:

For the year/period ended	Transaction amounts (RMB)
31 December 2019	1,012,000
31 December 2020	5,135,000
31 August 2021	2,545,000

Annual Caps and Basis for Annual Caps

The respective maximum annual transaction amounts payable by the Company for each of the three years ending 31 December 2024 under the Rajax Logistics and Delivery Services Framework Agreement are set out as follows:

For the Period Ending	Maximum Transaction Amount (Million RMB)
31 December 2022	7.0
31 December 2023	15.0
31 December 2024	28.0

Such maximum annual transaction amounts are determined in accordance with the following factors:

- (i) The Company's express delivery costs for related goods in and outside Shanghai in the past; and
- (ii) the expansion of the Company's business scale, especially its online business, which has led to the Group's increasing demand for logistics and delivery services.

The Directors consider that the above annual caps in respect of the logistics and delivery services by Hangzhou Rajax under the Rajax Logistics and Delivery Services Framework Agreement are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms under the Rajax Logistics and Delivery Services Framework Agreement are not less favourable than those available from independent third parties, the Company has adopted the following measures:

- (1) the prices for the services will be negotiated on arm's length basis and at prices with reference to the prevailing market prices of same or similar services, which will be determined through periodic price researches conducted by the staff of the business department of the Company by obtaining the prices of services charged by at least two other suppliers in the market for services comparable to the services provided under the Rajax Logistics and Delivery Services 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.

Reasons for and Benefits of Entering into the Rajax Logistics and Delivery Services Framework Agreement

Considering that the stores of the Company are located in around 21 provinces and municipalities and that the Company's logistics system is unable to fully satisfy the logistics and delivery service needs of all its online and offline stores, the Company has always engaged several third-party logistics companies as its logistics and delivery service providers. Hangzhou Rajax, with its good hardware equipment, information system capability and logistics and delivery service experience, can provide better logistics services for the Company, and its charges for logistics services are more reasonable than the current market prices. The entering into of the Rajax Logistics and Delivery Services Framework Agreement will change the current situation of the Company's supply chain being unable to support its development in some areas, and will rapidly improve the overall supply chain of the Company.

4. Membership Points Agency and Settlement Service Agreement

Reference is made to the announcement of the Company dated 8 October 2018 in relation to the existing membership points agency and settlement service agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) the Company (as the service recipient); and
- (b) Bailian Finance (as the service provider)

Term

The Membership Points Agency and Settlement Service Agreement is for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Membership Points Agency and Settlement Service

According to the Membership Points Agency and Settlement Service Agreement, Bailian Finance will (i) in accordance with the instructions of the Company, withdraw corresponding fees from the Company's relevant account in Bailian Finance and transfer the same to Bailian Finance's settlement account based on the membership points granted by the Company; and (ii) in accordance with the instructions of the Company, transfer corresponding fees to the Company's relevant account in Bailian Finance from Bailian Finance's settlement account based on the membership points received by the Company. The membership points granted by the Company and Bailian Group and their respective subsidiaries can be used by customers in purchasing goods or services from the Company and Bailian Group and their respective subsidiaries.

The parties and/or its subsidiaries will enter into individual membership points agency and settlement service contracts setting out specific terms of the provision of deposit, withdrawal and settlement services for membership points including the principles of service fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Membership Points Agency and Settlement Service Agreement. If there is any discrepancy between the terms of an individual membership points agency and settlement service contract and the Membership Points Agency and Settlement Service Agreement, the latter shall prevail.

Consideration and Payment

- (1) Once the Company grants membership points to its customers, the Company will instruct Bailian Finance to withdraw the corresponding fees from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account based on the membership points granted by the Company on the next day (or the next business day if such next day is a public holiday).
- (2) Once the Company receives membership points from its customers, the Company will instruct Bailian Finance to transfer the corresponding fees from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance based on the membership points received by the Company on the next day (or the next business day if such next day is a public holiday).

- (3) No service fees will be charged to the Company by Bailian Finance for the provision of the membership points deposit, withdrawal and settlement services.
- (4) The Company will receive interests for the outstanding amount in the Company's relevant account in Bailian Finance from Bailian Finance according to the current deposit interest rate of the PBOC.
- (5) Transactions contemplated under the Membership Points Agency and Settlement Service Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Finance on normal commercial terms and on terms not less favourable than those available from independent third parties.

Historical Amounts

The historical transaction amounts withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement and the historical transaction amounts transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement are as follows:

For the year/period ended	Transaction amounts withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account (RMB)	Transaction amounts transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance (RMB)
31 December 2019	19,058,000	14,161,000
31 December 2020	22,179,000	13,985,000
31 August 2021	13,094,000	5,069,000

Annual Caps and Basis for Annual Caps

The maximum aggregate annual transaction amounts to be withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for each of the three years ending 31 December 2024 are RMB30 million, which is determined in accordance with the following factors:

- (i) value of new membership points added for the eight months ended 31 August 2021 and corresponding fees of the Group which amounted to approximately RMB13,094 thousand; and
- (ii) anticipated approximate 3% to 5% sales increase of the Group per year with the development of Bailian Group's e-commerce business which will lead to a predicted increase of membership points.

The maximum aggregate annual amounts to be transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement (including the interests to be paid by Bailian Finance) for each of the three years ending 31 December 2024 are RMB30 million, which is determined in accordance with the following factors:

- (i) with the increase in the number of members, the sales amount of members of the Group and the proportion of member sales continue to grow, and it is expected that the number of member points issued by the company to customers will increase accordingly; and
- (ii) with the update of the membership points redemption rules, and the opening of functions such as point-free payment and scan code purchase, the number of points users is effectively increased, and the point exchange rate is expected to increase.

The Directors consider that the above annual caps in respect of the deposit, withdrawal and settlement services for the membership points of the Company provided by Bailian Finance are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms for the deposit, withdrawal and settlement services provided by Bailian Finance to the Company are not less favourable than those available from independent third parties, the Group has adopted the following measures:

- (1) 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.
- (2) The Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions.
- (3) 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/or its relevant subsidiaries.
- (4) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and Benefits of Entering into the Membership Points Agency and Settlement Service Agreement

By entering into the Membership Points Agency and Settlement Service Agreement, the Company will benefit from the comprehensive advantages of Bailian Group, as the substantial Shareholder, and its subsidiaries, integrate the members and the value of member points of various businesses of Bailian Group and its subsidiaries, and realize the settlement of member points among various businesses of Bailian Group and its subsidiaries. As a result, the members of the Group will increase and be more stable which will further enhances the stability of the Company's business operation as well as the long-term development of the Company.

In light of the above, the Directors are of the view that the terms of the Membership Points Agency and Settlement Service Agreement are fair and reasonable, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

5. Smart Cards Arrangement Agreement

Reference is made to the announcement of the Company dated 8 October 2018 in relation to the existing smart cards arrangement agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) Bailian Group; and
- (b) the Company

Term

The Smart Cards Arrangement Agreement is for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Smart Cards Arrangement

Each of the Company and Bailian Group has its own smart cards system which enables its customers to make purchases by using smart cards with prepaid values. Pursuant to the Smart Cards Arrangement Agreement, the parties agreed to accept all payments of purchases from the customers by using the smart cards issued by the other party within their respective sales networks.

The relevant subsidiaries of the parties will enter into individual smart cards arrangement contracts setting out specific terms for the arrangement, including the technologies required, operation details, settlement arrangements and the fees and charges. Such terms will be consistent with the principles and the terms of the Smart Cards Arrangement Agreement. If there is any discrepancy between the terms of an individual smart cards arrangement contract and the Smart Cards Arrangement Agreement, the latter shall prevail.

Consideration and Payment

- (1) Each party shall charge the other party a management service fee of not more than 0.5% of such transaction amounts which are attributable to the other party. Such percentage shall be determined by arm's length commercial negotiations between the relevant parties with reference to the gross margin level of companies in the market using smart cards system for settlement of customers' purchases, size of transaction, application conditions and business operation conditions and set out in the individual smart cards arrangement contracts.
- (2) The fee payable under the Smart Cards Arrangement Agreement is to be made by bank transfer on a monthly basis.

Historical Amounts

The historical transaction amounts for the management services between the Company and Bailian Group regarding the smart cards arrangement are as follows:

For the year/period ended	Fee paid by Bailian Group to the Company (RMB)	Fee paid by the Company to Bailian Group (RMB)
31 December 2019	5,987,000	8,325,000
31 December 2020	5,184,000	8,350,000
31 August 2021	3,564,000	5,890,000

Annual Caps and Basis for Annual Caps

The maximum aggregate annual transaction amounts in respect of the Smart Cards Arrangement Agreement for each of the three years ending 31 December 2024 are as follows:

For the year ending	Fee payable by Bailian Group to the Company (Million RMB)	Fee payable by the Company to Bailian Group (Million RMB)
31 December 2022	20	20
31 December 2023	20	20
31 December 2024	20	20

The above annual caps are determined in accordance with the following factors:

- (i) the historical transaction amounts for the management services provided by the relevant subsidiaries of each party;
- (ii) the popularity in the use of smart cards in the Yangtze Delta Region of the PRC; and
- (iii) the continuous growth in the smart card market in the PRC.

The Directors consider that the above annual caps in respect of the management services by the relevant subsidiaries of each party under the Smart Cards Arrangement Agreement are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms for the management services provided by the relevant subsidiaries of each party are not less favourable than those available from independent third parties, the Group has adopted the following measures:

- (1) 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.
- (2) The prices for the management services are negotiated on arm's length basis and on terms no less favourable than the prices of comparable services provided by independent third parties to the Group (the Group will seek to obtain the prices of relevant comparable services provided by at least two independent third parties) to ensure that the most favourable terms are obtained.
- (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/or its relevant subsidiaries.
- (5) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and Benefits of Entering into the Smart Cards Arrangement Agreement

Due to the high market branding of the Company and Bailian Group, their extensive commercial and retail networks and their broad customer bases, the cooperation between the Company and Bailian Group under the Smart Cards Arrangement Agreement can facilitate them to utilize the brand recognition and network resources of each other more effectively.

In light of the above, the Directors are of the view that the terms of the Smart Cards Arrangement Agreement are fair and reasonable, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

6. Property Management Framework Agreement

Reference is made to the announcement of the Company dated 8 October 2018 in relation to the existing property management framework agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) the Company (as the service recipient); and
- (b) Bailian Group (as the service provider)

Term

The Property Management Framework Agreement is for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Property Management Services

Pursuant to the Property Management Framework Agreement, Bailian Group agreed to provide property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term of three years commencing from 1 January 2022 to 31 December 2024.

The parties and/or its subsidiaries will enter into individual property management contracts setting out specific terms of the provision of property management services including the principles of property management fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Property Management Framework Agreement. If there is any discrepancy between the terms of an individual property management contract and the Property Management Framework Agreement, the latter shall prevail.

Consideration and Payment

- (1) The fee for the provision of property management services under the Property Management Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the property management fees of similar properties in the market from time to time.
- (2) Depending on the different sizes of the properties managed, the different amounts of the annual property management fee and the business scale of the counterparties, the fee payable under the Property Management Framework Agreement is to be made by bank transfer on a monthly or quarterly basis.
- (3) Transactions contemplated under the Property Management Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.

Historical Amounts

The historical transaction amounts for the property management services by Bailian Group and/or its subsidiaries to the Group are as follows:

For the year/period ended	Transaction amounts (RMB)
31 December 2019	14,205,000
31 December 2020	8,727,000
31 August 2021	5,032,000

Annual Caps and Basis for Annual Caps

The maximum aggregate annual transaction amounts under the Property Management Framework Agreement for each of the three years ending 31 December 2024 are RMB18 million, which is determined in accordance with the following factors:

- (i) the historical transaction amounts for the provision of property management services by Bailian Group and/or its subsidiaries to the Company in the past;
- (ii) the continuous increase in demand for property management services by the Company resulting from the continuous growth in the scale of its business; and
- (iii) the expected increase of property management fee in the coming years due to the increase of various operational costs of Bailian Group and/or its subsidiaries.

The Directors consider that the above annual caps in respect of the property management services by Bailian Group and/or its subsidiaries to the Group are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms for the property management services provided by Bailian Group and/or its subsidiaries are not less favourable than those available from independent third parties, the Group has adopted the following measures:

- (1) 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.
- (2) The Group will obtain the fees of relevant comparable services provided by at least two independent property management companies for ascertaining the fee of the services provided by Bailian Group and/or its subsidiaries to the Group through arm's length negotiations between the relevant parties. For the Group, the relevant fee shall be submitted to the business department of the relevant subsidiaries for approval or depending on the actual circumstances, such fee shall be submitted to the management of the relevant subsidiaries by such relevant business department for further approval. The relevant departments and management (as the case may be) will ensure the service fee of the services provided by Bailian Group and/or its subsidiaries is fair and reasonable, on normal commercial terms and on terms not less favourable than those provided by other independent service providers, after considering factors including the service scope, quality and pricing of comparable services to be provided by other independent property management service providers.
- (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/or its relevant subsidiaries.
- (5) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and Benefits of Entering into the Property Management Framework Agreement

Bailian Group and its subsidiaries have extensive experience in property management services and are able to provide their customers with high-quality property management services at a reasonable service fee. The Company's engagement of Bailian Group in providing property management services allows effective management of the Group's premises (including offices and retail stores) and support the stable operation of the Group.

In light of the above, the Directors are of the view that the terms of the Property Management Framework Agreement are fair and reasonable, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

7. Leasing Framework Agreement

Reference is made to the announcement of the Company dated 8 October 2018 in relation to the existing leasing framework agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) the Company (the lessee); and
- (b) Bailian Group (the lessor)

Term

The Leasing Framework Agreement is for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Leasing of Premises

Pursuant to the Leasing Framework Agreement, Bailian Group agreed to lease certain premises to the Company for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices, but excluding hypermarkets.

The parties and/or its subsidiaries will enter into individual leasing contracts setting out specific terms of leasing including the details of relevant premises, the principles of rent determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Leasing Framework Agreement. If there is any discrepancy between the terms of an individual leasing contract and the Leasing Framework Agreement, the latter shall prevail.

Consideration and Payment

- (1) The rent for leasing certain premises under the Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market prices of similar properties in same locations from time to time.
- (2) Depending on the specific conditions of transactions contemplated under the individual leasing contracts, the fee payable under the individual leasing contracts is to be made by bank transfer on a monthly, quarterly, half-yearly or annual basis.
- (3) Transactions contemplated under the Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable from independent third parties.

Historical Amounts

The historical rental for the leasing services by Bailian Group and/or its subsidiaries to the Group are as follows:

For the year/period ended	Transaction amounts (RMB)
31 December 2019	6,506,000
31 December 2020	6,460,000
31 August 2021	3,907,000

Annual Caps and Basis for Annual Caps

The maximum aggregate annual transaction amounts in respect of leasing services provided by Bailian Group and/or its subsidiaries under the Leasing Framework Agreement for each of the three years ending 31 December 2024 are RMB9 million, which are determined in accordance with the following factors:

- (i) the historical transaction amounts for the leasing of similar premises from Bailian Group and/or its subsidiaries to the Group in the past;
- (ii) the continuous increase in demand for premises for development of operations of the Company in different areas resulting from the continuous growth in the scale of its business; and
- (iii) the increase of rental cost in recent years, in particular in the commercial areas in Shanghai.

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 Leasing Framework Agreement, the Company is required to set an annual cap on the value of right-of-use assets for the three 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 caps for the value of right-of-use assets under the Leasing Framework Agreement for each of the three years ending 31 December 2024 is RMB38 million, which are determined in accordance with the following factors:

- (i) For the two years ended 31 December 2019, 31 December 2020 and for the eight months ended 31 August 2021, the maximum amount of the right-of-use assets involved in the leasing services provided by Bailian Group to the company and/or its subsidiaries are RMB20.93 million, RMB23.96 million and RMB20.13 million, respectively.
- (ii) In the next three years, the Group will increase leases of premises from Bailian Group and its subsidiaries to meet operational needs.

The Directors consider that the above annual caps in respect of the leasing services by Bailian Group and/or its subsidiaries to the Group are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms for the leasing services provided by Bailian Group and/or its subsidiaries are not less favourable than those available from independent third parties, the Group has adopted the following measures:

- (1) 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.

- (2) The prices for the leasing services are negotiated on arm's length basis and decided on terms no less favourable than the prices of the premises of the same level provided by independent third parties to the Group (if applicable). The Group will require Bailian Group and/or its subsidiaries to provide their quotes for similar transactions with two independent third parties for comparison. For the Group, the relevant fee shall be submitted to the business department of the relevant subsidiaries for approval or depending on the actual circumstances, such fee shall be submitted to the management of the relevant subsidiaries by such relevant business department for further approval. The relevant departments and management (as the case may be) will ensure the rental of the premises provided by Bailian Group and/or its subsidiaries is fair and reasonable, on normal commercial terms and on terms not less favourable than those provided by other independent third parties, after considering the terms for leasing comparable premises by independent third parties.
- (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/or its relevant subsidiaries.
- (5) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and Benefits of Entering into the Leasing Framework Agreement

Bailian Group and its subsidiaries own a number of premises that are situated in the city centre of Shanghai where customer flow is frequent. Leasing such premises from Bailian Group and its subsidiaries can facilitate the business operation activities of the Company in these areas.

In light of the above, the Directors are of the view that the terms of the Leasing Framework Agreement are fair and reasonable, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

8. Property Leasing Framework Agreement

Reference is made to the announcement of the Company dated 8 October 2018 in relation to the existing property leasing framework agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) Bailian Group (as the lessee); and
- (b) the Company (as the lessor)

Term

The Property Leasing Framework Agreement is for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Property Leasing

Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease properties to Bailian Group and its subsidiaries (including but not limited to Bailian Financial Services and Shanghai Bailian) for use as shopping mall, offices or other purposes.

The parties will enter into individual property leasing agreements setting out specific terms including the transaction price determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Property Leasing Framework Agreement. If there is any discrepancy between the terms of an individual property leasing agreements and the Property Leasing Framework Agreement, the latter shall prevail.

Consideration and payment

- (1) The rental of the properties leased by the Company to Bailian Group under the Property Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market prices of comparable properties in same locations from time to time.
- (2) Depending on the specific usages of different properties, their specific locations, amount of the annual rent and the business scale of the counterparties, the rentals payable by Bailian Group under the Property Leasing Framework Agreement are to be made by bank transfer on a monthly, quarterly, half-yearly or yearly basis and shall be consistent with the market payment terms of leasing the comparable properties.
- (3) The transactions contemplated under the Property Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.

Historical Amounts

The historical rental paid by Bailian Group and/or its subsidiaries to the Company are as follows:

For the year/period ended	Transaction amounts (RMB)
31 December 2019	2,302,000
31 December 2020	2,408,000
31 August 2021	1,782,000

Annual Caps and Basis for Annual Caps

The maximum aggregate annual transaction amounts in respect of the lease of the properties to Bailian Group by the Company under the Property Leasing Framework Agreement for each of the three years ending 31 December 2024 are RMB38 million, which are determined in accordance with the following factors:

- (i) the historical transaction amounts for the leasing of similar properties by the Company to Bailian Group and/or its subsidiaries in the past;
- (ii) the continuous increase in business cooperation between the Company and Bailian Group and/or its subsidiaries; and
- (iii) the increase in rental cost in recent years in the commercial areas in Shanghai.

The Directors consider that the above annual caps under the Property Leasing Framework Agreement are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms for the property leasing services provided by the Company to Bailian Group are not less favourable than those available from independent third parties, the Group has adopted the following measures:

- (1) The rental of properties leased by the Company to Bailian Group under the Property Leasing Framework Agreement are negotiated on arm's length basis and the principle of fairness and reasonableness and with reference to the prevailing prices of the comparable properties of the Company at the same location leased to at least two to three independent third parties during the same period, if applicable. For the Group, the relevant departments and management of the Company (as the case maybe) will examine the rental of properties leased by the Company to Bailian Group and/or its subsidiaries and ensure that the rental is fair and reasonable, on normal commercial terms and on terms not less favourable than those provided to independent third parties, after considering factors including the terms for leasing comparable properties to other independent third parties.
- (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 business department of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of their respective agreements and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the above pricing policies.
- (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/or its relevant subsidiaries.

- (5) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and Benefits of Entering into the Property Leasing Framework Agreement

By entering into the Property Leasing Framework Agreement, the Company can improve the operations efficiency of the Company's properties and to achieve maximum usage of the Company's properties in order to obtain stable rental income. As a result, the Company will further enhance the stability of the Company's leasing operation as well as the long-term development of the Company.

In light of the above, the Directors are of the view that the terms of the Property Leasing Framework Agreement are fair and reasonable, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

9. Logistics and Delivery Services Framework Agreement

Reference is made to the announcement of the Company dated 5 December 2019 in relation to the existing logistics and delivery services framework agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) the Company (as the service provider); and
- (b) Bailian Group (as the service recipient)

Term

The Logistics and Delivery Services Framework Agreement is for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Logistics and Delivery Services

The Company and its subsidiaries agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group and its subsidiaries. The logistics and delivery services include but not limited to delivery, allocation, and return of goods within Shanghai and delivery and storage management service (i.e. delivery of goods into the warehouse, storage, sorting and retrieval of goods from the warehouse) outside Shanghai. The entrusted management services refers to entrusting the Company to manage the delivery services department and personnel of Bailian Group and payment of management fees to the Company.

The operating units of both parties may enter into individual logistics and delivery services contracts setting out specific terms of logistics and delivery services, including the services to be provided, price determination 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 Logistics and Delivery Services Framework. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Logistics and Delivery Services Framework, the latter shall prevail.

Consideration and Payment

The prices for the services to be provided under the Logistics and Delivery Services 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 prevailing market prices of such services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contract. The prices for the services provided by the Company will not be less favourable to the Company than those available to independent third parties in similar transactions.

Historical Amounts

The historical amounts for the logistics and delivery services paid by Bailian Group and its subsidiaries are as follows:

For the year/period ended	Transaction amounts (RMB)
31 December 2019	1,388,000
31 December 2020	13,241,000
31 August 2021	6,770,000

Annual Caps and Basis for Annual Caps

The respective maximum annual transaction amounts payable by Bailian Group to the Company for each of the three years ending 31 December 2024 under the Logistics and Delivery Services Framework Agreement are set out as follows:

Period	Maximum Transaction Amount (Million RMB)
From 1 January 2022 to 31 December 2022	20
From 1 January 2023 to 31 December 2023	20
From 1 January 2024 to 31 December 2024	20

Such maximum annual transaction amounts are determined in accordance with the following factors:

- (i) the anticipated demands of Bailian Group and its subsidiaries for logistics and delivery services; and
- (ii) the enlarged scope of cooperation with Bailian Group and its subsidiaries in line with the development of such business.

The Directors consider that the above annual caps in respect of the logistics and delivery services as well as entrusted management services by the Group to Bailian Group and its subsidiaries under the Logistics and Delivery Services Framework Agreement are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms provided by the Company under the Logistics and Delivery Services 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 services will be negotiated on arm's length basis and at prices with reference to the internal logistics expenses of the Company and the prices of provision of the same or similar services charged by the Company to no less than two independent third parties in the market.
- (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.

- (5) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and Benefits of Entering into the Logistics and Delivery Services Framework Agreement

The Company is equipped with professional service team specifically for the storage and delivery services in retail business, capabilities and experiences of professional logistics and delivery services as well as spare logistics and delivery resources. The entering into of the Logistics and Delivery Services Framework Agreement will enhance the utilization efficiency of the logistics and delivery services resources of the Company, which will in turn increase the revenue of the Company and promote the long-term development of the Company.

The Directors consider that the terms of the Logistics and Delivery Services Framework Agreement are fair and reasonable, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

10. Logistics Resources Leasing Framework Agreement

Reference is made to the announcement of the Company dated 8 October 2018 in relation to the existing logistics resources leasing framework agreement, the term of which will expire on 31 December 2021.

Date

24 September 2021

Parties

- (a) the Company (as the lessee); and
- (b) Bailian Group (as the lessor)

Term

The Logistics Resources Leasing Framework Agreement is for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

Logistics Resources Leasing

Bailian Group and its subsidiaries agreed to lease logistics resources to the Company and its subsidiaries. The logistics resources provided by Bailian Group include but not limited to trays and other logistics resources for the Group's daily logistics needs.

The operating units of both parties may enter into individual logistics resources leasing contracts setting out specific terms of such services including price, settlement method, payment method and time of payment. Such terms shall be consistent with the principles and the terms of the Logistics Resources Leasing Framework Agreement. If there is any discrepancy between the terms of an individual logistics resources leasing contract and the Logistics and Delivery Services Framework Agreement, the latter shall prevail.

Consideration and Payment

The price for the logistics resources leased under the Logistics Resources Leasing Framework Agreement is 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 price of such services. The prices for the logistics resources provided by Bailian Group to the Company will not be less favourable than those available from independent third parties in similar transactions.

The payment under the individual logistics resources leasing contract is to be made according to the terms of the individual logistics resources leasing contract. The payment under the individual logistics resources leasing contract are to be made by bank transfer on a monthly or agreed period basis and shall be consistent with the market payment terms of leasing such kind of logistics resources.

Historical Amounts

The historical rental amounts for the provision of logistics resource leasing services by Bailian Group and its subsidiaries to the Group are as follows:

For the year/period ended	Rental amounts (RMB)
31 December 2019	2,350,000
31 December 2020	2,456,000
31 August 2021	1,505,000

Annual Caps and Basis for Annual Caps

The respective maximum annual rental amounts payable by the Company for each of the three years ending 31 December 2024 under the Logistics Resources Leasing Framework Agreement are set out as follows:

For the Period Ending	Maximum Rental Amount (Million RMB)
31 December 2022	4
31 December 2023	4
31 December 2024	4

Such maximum annual rental amounts are determined in accordance with the following factors:

- (i) the historical rental amounts of the logistics resources leasing services provided by Bailian Group and its subsidiaries to the Group; and
- (ii) the Group's stable demands in logistics resources leasing services for the Group's daily logistics needs in the three years ending 31 December 2024.

The subject of this transaction is trays and other logistics resources. According to the individual contract entered into by the parties, the rental is settled pursuant to the quantity of trays and other logistics resources leased on a monthly basis. Since the unit rental price of the trays and other logistics resources is quite low and the rental is settled pursuant to the monthly leased quantity, the rental fluctuates greatly. Since the trays and other logistics resources are not specifically designated and are replaceable, and the value of the subject assets has no significant impact on the financial statements of the Group, the transaction contemplated under the existing logistics resources leasing framework agreement has been accounted with reference to low-value leases and included in the rental expenses without recognising the right-of use assets after the implementation of Hong Kong Financial Reporting Standards (HKFRS) 16 by the Company in 2019. Therefore, this transaction only set the annual caps for the rental, and did not set annual caps for the value of the right-of-use assets.

The Directors consider that the above annual caps in respect of the logistics resources leased by Bailian Group and/or its subsidiaries to the Group are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms under Logistics Resources Leasing Framework Agreement are not less favourable than those available from independent third parties, the Company has adopted the following measures:

- (1) The prices for the leased resources will be negotiated on arm's length basis and at prices with reference to the prevailing market prices of same or similar resources, which will be determined by obtaining the prices of resources charged by at least two independent third party suppliers in the market for services comparable to the resources under the Logistics Resources Leasing 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.
- (5) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

Reasons for and Benefits of Entering into the Logistics Resources Leasing Framework Agreement

Bailian Group can provide logistics resources leasing services of good quality with its equipment, information system, storage capabilities and experience in logistics services, and the logistics resource leasing fees charged by it are reasonable in comparison with the prevailing market rates. Entering into the Logistics Resource Leasing Framework Agreement will significantly lower the costs of logistic resources of the Company.

The Directors consider that the terms of the Logistics Resources Leasing Framework Agreement are fair and reasonable, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

III. GENERAL INFORMATION

Information of the Company

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

Information of Bailian Omni-channel

Bailian Omni-channel is a wholly-owned subsidiary of Bailian Group, principally engaged in e-commerce business platform and regional O2O omni-channel service operation in the e-commerce project of Bailian Group.

Information of Bailian Finance

Bailian Finance is a non-banking financial institution established in the PRC. As at the date of this announcement, its registered capital is RMB800 million. 75% of its share capital is held by Bailian Group, and 25% of that is held by Shanghai Bailian. The principal business of Bailian Finance mainly includes the provision of deposit services, loan services, entrusted loan services and settlement services.

Information of Bailian Group

Bailian Group is principally engaged in businesses relating to domestic trading, provision of production materials, logistics and development of commercial properties.

Information of Hangzhou Rajax

Hangzhou Rajax is an indirect wholly-owned subsidiary of Alibaba Group, which is the holding company of Alibaba China. Alibaba China is a substantial Shareholder. Hangzhou Rajax is principally engaged in technology development and technical services, computer information technology, commodity sales, corporate consulting services, third-party logistics services and logistics technology development.

IV. BOARD'S APPROVAL

The Board has approved the entering into of the Financial Service Agreement, the Sales Agency Framework Agreement and each of the Other CCT Agreements and their respective annual caps and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Mr. Ye Yong-ming, Ms. Xu Zi-ying, Mr. Chong Xiao-bing, Ms. Zhang Shen-yu and Mr. Dong Xiao-chun are either holding senior positions or are directors in Bailian Group and/or its subsidiaries, they have abstained from voting on the relevant resolution of the Board to approve the entering into of the Financial Service Agreement, the Sales Agency Framework Agreement, the Membership Points Agency and Settlement Service Agreement, the Smart Cards Arrangement Agreement, the Property Management Framework Agreement, the Leasing Framework Agreement, the Property Leasing Framework Agreement, the Logistics and Delivery Services Framework Agreement, and the Logistics Resources Leasing Framework Agreement.

Since Mr. Xu Hong is holding a senior position in Alibaba Group, he has abstained from voting on the relevant resolution of the Board to approve the entering into of the Rajax Logistics and Delivery Services Framework Agreement.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group is a substantial Shareholder of the Company, and Bailian Finance and Bailian Omni-channel are subsidiaries of Bailian Group. Accordingly, Bailian Group, Bailian Finance and Bailian Omni-channel are connected persons of the Company. Therefore, the transactions contemplated under the Financial Services Agreement, the Sales Agency Framework Agreement and each of the Other CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Major Transaction and Continuing Connected Transactions

As the highest applicable percentage ratio in relation to the provision of deposit services under the Financial Services Agreement is more than 25%, the provision of deposit services under the Financial Services Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio for the highest proposed annual cap for the provision of deposit services under the Financial Services Agreement is more than 5%, the provision of deposit services under the Financial Services Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions which are subject to Independent Shareholders' Approval Requirement

As the highest applicable percentage ratio for the highest proposed annual cap under the Sales Agency Framework Agreement is more than 5%, the transactions contemplated under the Sales Agency Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions which are exempt from Independent Shareholders' Approval Requirement

As each of highest applicable percentage ratio for the transactions under each of the Other CCT Agreements (namely (i) the Rajax Logistics and Delivery Services Framework Agreement, (ii) the Membership Points Agency and Settlement Service Agreement, (iii) the Smart Cards Arrangement Agreement, (iv) the Property Management Framework Agreement, (v) the Leasing Framework Agreement, (vi) the Property Leasing Framework Agreement, (vii) the Logistics and Delivery Services Framework Agreement and (viii) the Logistics Resources Leasing Framework Agreement) is more than 0.1% but less than 5%, the transactions contemplated under the Other CCT Agreements are subject to the reporting, annual review and announcement requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Fully-exempt Continuing Connected Transactions

The loan services to be provided by Bailian Finance to the Group under the Financial Services Agreement constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are fully exempt from all reporting, annual review, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

VI. EGM

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, to approve, among others, the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including the respective proposed annual caps).

As at the date of this announcement, Bailian Group and its associates, including Shanghai Bailian, held approximately 513,869,400 Shares, representing 45.90% of the issued share capital of the Company. Bailian Group and/or its subsidiaries, being a party to each of the Financial Services Agreement and the Sales Agency Framework Agreement, have material interests in the relevant continuing connected transactions, respectively. Therefore, Bailian Group and its associates, including Shanghai Bailian, are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including the respective proposed annual caps). Saved as disclosed above, no other Shareholders would be required to abstain from voting to approve the resolutions in relation to continuing connected transactions at the EGM.

An Independent Board Committee comprising all the independent Directors (who have no material interest in the relevant continuing connected transactions) will be formed to advise the Independent Shareholders on the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including the respective proposed annual caps).

The Company has appointed VBG Capital as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the same in accordance with the Listing Rules.

VII. DESPATCH OF CIRCULAR

Because additional time is required to prepare and finalise the information to be included in the circular of the Company in accordance with Rule 19A.39A of the Listing Rules, the circular will be issued by the Company and despatched to the Shareholders on or before 26 October 2021 which contains, among others, the following things:

- (i) details of the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including the respective proposed annual caps);
- (ii) the opinion and recommendation of the Independent Board Committee on the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including the respective proposed annual caps); and
- (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its opinion and recommendation on the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including the respective proposed annual caps).

VIII. 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
“Alibaba Group”	Alibaba Group Holding Limited* (阿里巴巴集團控股有限公司), the holding company of Alibaba China
“associates”	has the meaning ascribed to it in the Listing Rules
“Audit Committee”	the audit committee of the Company
“Bailian Finance”	Bailian Group Finance Co., Ltd.* (百聯集團財務有限責任公司), a subsidiary controlled by Bailian Group
“Bailian Financial Services”	Bailian Financial Services Co., Ltd.* (百聯金融服務有限公司), a subsidiary controlled by Bailian Group
“Bailian Group”	Bailian Group Co., Ltd.* (百聯集團有限公司), a controlling Shareholder
“Bailian Omni-channel”	Bailian Omni-channel E-commerce Co., Ltd.* (百聯全渠道電子商務有限公司), a wholly-owned subsidiary of Bailian Group
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“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
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if appropriate, to approve, among others, the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including the respective proposed annual caps)
“Financial Services Agreement”	the financial services agreement dated 24 September 2021 entered into between the Company, Bailian Group and Bailian Finance in relation to provision of financial services by Bailian Finance to the Group
“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 Rajax”	Hangzhou Rajax Information Technology Co., Ltd.* (杭州拉扎斯信息科技有限公司), an indirect wholly-owned subsidiary of Alibaba Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	independent board committee of the Company comprising all of the independent non-executive Directors
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services under the Financial Services Agreement and the Sales Agency Framework Agreement (including the respective proposed annual caps), and a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

“Independent Shareholders”	the Shareholders, other than Bailian Group and Shanghai Bailian and their respective associates, who will abstain from voting on the relevant resolutions in relation to the continuing connected transactions at the EGM
“Leasing Framework Agreement”	the leasing framework agreement dated 24 September 2021 entered into between the Company and Bailian Group in relation to the lease of certain premises by the Group
“Lianhua Huashang”	Hangzhou Lianhua Huashang Group Co., Ltd.* (杭州聯華華商集團有限公司), a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Logistics and Delivery Services Framework Agreement”	the logistics and delivery services framework agreement dated 24 September 2021 entered into between the Company and Bailian Group in relation to the provision of logistics and delivery services
“Logistics Resources Leasing Framework Agreement”	the logistics resources leasing framework agreement dated 24 September 2021 entered into between the Company and Bailian Group in relation to the lease of logistics resources
“Membership Points Agency and Settlement Service Agreement”	the membership points agency and settlement service agreement dated 24 September 2021 entered into between the Company and Bailian Finance in relation to the provision of deposit, withdrawal and settlement services for the membership points of the Company

“Other CCT Agreements”	the eight framework agreements for continuing connected transactions which are exempt from Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules, namely (i) the Rajax Logistics and Delivery Services Framework Agreement, (ii) the Membership Points Agency and Settlement Service Agreement, (iii) the Smart Cards Arrangement Agreement, (iv) the Property Management Framework Agreement, (v) the Leasing Framework Agreement, (vi) the Property Leasing Framework Agreement, (vii) the Logistics and Delivery Services Framework Agreement, and (viii) the Logistics Resources Leasing Framework Agreement
“Property Leasing Framework Agreement”	the property leasing framework agreement dated 24 September 2021 entered into between the Company and Bailian Group in relation to the lease of certain premises by Bailian Group
“Property Management Framework Agreement”	the property management framework agreement dated 24 September 2021 entered into between the Company and Bailian Group in relation to the provision of property management services
“PBOC”	People’s Bank of China (中國人民銀行)
“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
“Rajax Logistics and Delivery Services Framework Agreement”	the logistics and delivery services framework agreement dated 24 September 2021 entered into between the Company and Hangzhou Rajax in relation to the provision of logistics and delivery services, including but not limited to the provision of delivery information, resources connection and delivery, allocation, and return of goods within Shanghai and delivery and storage management services outside Shanghai

“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agency Framework Agreement”	the sales agency framework agreement dated 24 September 2021 entered into between the Company and Bailian Omni-channel in relation to provision of sales agency services by Bailian Omni-channel to the Group
“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 substantial Shareholder
“Shareholder(s)”	the shareholder(s) of the Company
“Smart Cards Arrangement Agreement”	the smart cards arrangement agreement dated 24 September 2021 entered into between the Company and Bailian Group in relation to the arrangements for the use of smart cards by the customers for making purchases
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Shanghai, the PRC, 24 September 2021

* *for identification purposes only*

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.