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

(Stock Code: 00980)

DISCLOSEABLE TRANSACTION ENTERING INTO THE EQUITY TRANSFER AGREEMENT

ENTERING INTO THE EQUITY TRANSFER AGREEMENT

Reference is made to the announcement of the Company dated 12 March 2021 in relation to the Agreement of Intent entered into between Lianhua Huashang and Yibai Supermarket.

On 26 September 2021, Lianhua Huashang entered into the Equity Transfer Agreement with Yibai Supermarket, pursuant to which, Lianhua Huashang agreed to acquire, and Yibai Supermarket agreed to sell, 60% equity interests in Bailian Supermarket at a consideration of RMB180,000,000.

Upon completion of the Acquisition, Lianhua Huashang will hold 60% equity interests in Bailian Supermarket. Accordingly, Bailian Supermarket will become a subsidiary of the Company, and its financial results will be consolidated into that of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition contemplated under the Equity Transfer Agreement exceeds 5% but is less than 25%, the Acquisition contemplated under the Equity Transfer Agreement constitutes a discloseable transaction of the Company, which is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 12 March 2021 in relation to the Agreement of Intent entered into between Lianhua Huashang and Yibai Supermarket.

On 26 September 2021, Lianhua Huashang entered into the Equity Transfer Agreement with Yibai Supermarket, pursuant to which, Lianhua Huashang agreed to acquire, and Yibai Supermarket agreed to sell, 60% equity interests in Bailian Supermarket at a consideration of RMB180,000,000.

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II. THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as below:

Date

26 September 2021

Parties

- (1) Lianhua Huashang; and
- (2) Yibai Supermarket

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yibai Supermarket and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject matter

Lianhua Huashang agreed to acquire, and Yibai Supermarket agreed to sell, 60% equity interests in Bailian Supermarket.

Consideration

The consideration for the Acquisition contemplated under the Equity Transfer Agreement is RMB180,000,000.

The consideration was determined after arm's length negotiation with reference to the appraised value for 60% equity interests in Bailian Supermarket. The assets valuation report was prepared by Yinxin Assets Appraisal Co., Ltd.* (銀信資產評估有限公司), a qualified independent PRC valuer, using the asset-based approach. The appraised net assets value of Bailian Supermarket as at 31 March 2021 (i.e., the valuation benchmark date) is RMB300,985,400 as set out in the assets valuation report.

Payment

Pursuant to the Agreement of Intent, Lianhua Huashang has paid a total of RMB5,000,000 to Yibai Supermarket as performance deposit.

Pursuant to the Equity Transfer Agreement, Lianhua Huashang shall pay the consideration for the Acquisition by three instalments and the performance deposit paid pursuant to the Agreement of Intent will be converted into part of the consideration in proportion to each instalment:

- (1) the first instalment is 51% of the total consideration for the Acquisition, i.e. RMB91,800,000, which shall be paid within five working days from the date of entering into of the Equity Transfer Agreement. 51% of the performance deposit, i.e. RMB2,550,000 shall be converted into part of the first instalment of the consideration for the Acquisition. Accordingly, Lianhua Huashang shall pay the remaining RMB89,250,000 to Yibai Supermarket in respect of the first instalment;

- (2) the second instalment is 39% of the total consideration for the Acquisition, i.e. RMB70,200,000, which shall be paid within seven working days after both parties confirm in writing that the relevant documents prescribed in the Equity Transfer Agreement has been delivered, the business operator concentration declaration has been approved, the relevant industrial and commercial registration procedures for change of shareholder related to the equity transfer and record of legal representative, director, supervisor and general manager has been completed and the originals of abovementioned industrial and commercial registration approval has been provided. 39% of the performance deposit, i.e. RMB1,950,000 shall be converted into part of the second instalment of the consideration for the Acquisition. Accordingly, Lianhua Huashang shall pay the remaining RMB68,250,000 to Yibai Supermarket in respect of the second instalment;
- (3) the third instalment is 10% of the total consideration for the Acquisition, i.e. RMB18,000,000, which shall be paid within ten working days after the expiration of six months from the date of completion of the industrial and commercial registration procedures for equity transfer, provided that Yibai Supermarket does not have any breach of contract and there are no administrative or legal restrictions on the Acquisition. 10% of the performance deposit, i.e. RMB500,000 shall be converted into part of the third instalment of the consideration for the Acquisition. Accordingly, Lianhua Huashang shall pay the remaining RMB17,500,000 to Yibai Supermarket in respect of the third instalment.

Completion

The completion date shall be the date on which the business operator concentration declaration has been approved and the industrial and commercial registration for the equity transfer has been completed.

Lock-up period

Within five years from the completion of the Acquisition, without the written consent by the other shareholders, no shareholder of Bailian Supermarket shall transfer or dispose of its equity interests in Bailian Supermarket to natural persons, legal persons and organizations other than to the existing shareholders.

III. REASONS FOR AND BENEFITS OF THE ACQUISITION

Lianhua Huashang is a well-known local retail chain operator in Zhejiang Province, and intends to accelerate its development through extensional expansion; while Yibai Supermarket is a well-known retail chain operator in Zhuji City, Zhejiang Province (“**Zhuji**”) with strong strength, various retail outlets and a high market share in Zhuji. Entering into the Equity Transfer Agreement is conducive for Lianhua Huashang to increase its market share in Zhuji with the help of the good visibility and reputation of Yibai Supermarket in Zhuji and is also conducive to the strategic layout of Lianhua Huashang in the Zhuji market for gradually forming effect of region connection, strengthening regional market and enhancing business competitiveness.

Taking into consideration the reasons for and benefits of the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, and the Acquisition contemplated thereunder, although not conducted in the ordinary and usual course of the business of the Company, is in the interests of the Company and its Shareholders as a whole.

IV. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition contemplated under the Equity Transfer Agreement exceeds 5% but is less than 25%, the Acquisition contemplated under the Equity Transfer Agreement constitutes a discloseable transaction of the Company, which is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

V. GENERAL INFORMATION

The Company

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

Lianhua Huashang

Lianhua Huashang, a subsidiary of the Company where the Company holds 74.19% equity interests, is principally engaged in retail chain business in Zhejiang Province, the PRC, including urban life center, hypermarket, comprehensive supermarket, standard supermarket, boutique supermarket, convenience store and other retail formats.

Yibai Supermarket

Yibai Supermarket is a company incorporated in the PRC. It is principally engaged in chain supermarket business. Yibai Supermarket is a wholly-owned subsidiary of Zhuji Yibai Group Co., Ltd.* (諸暨一百集團有限公司), which is ultimately held by Mr. Zhou Xiang-gen (周相根) as to over 99%.

Bailian Supermarket

Bailian Supermarket was incorporated in the PRC on 17 December 2020 and is principally engaged in chain supermarket business, including retail formats such as neighborhood center, comprehensive supermarket, school store and convenience store. As at the date of this announcement, Bailian Supermarket is a wholly-owned subsidiary of Yibai Supermarket. Upon completion of the Acquisition, Lianhua Huashang and Yibai Supermarket will hold 60% and 40% equity interests in Bailian Supermarket, respectively.

Financial Information of Bailian Supermarket

According to the audited financial statements of Bailian Supermarket prepared in accordance with China Accounting Standards for Business Enterprises, the net profits before and after taxation of Bailian Supermarket for the three months ended 31 March 2021 was RMB31,007.26 and RMB31,007.26, respectively. As at 31 March 2021, the book value of the total assets and net assets of Bailian Supermarket was RMB289,037,700 and RMB153,379,200, respectively.

VI. DEFINITIONS

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

“Acquisition”	the acquisition of 60% equity interests in Bailian Supermarket by Lianhua Huashang from Yibai Supermarket pursuant to the terms and conditions of the Equity Transfer Agreement
“Agreement of Intent”	the agreement of intent in relation to equity transfer entered into between Lianhua Huashang and Yibai Supermarket on 12 March 2021, details of which are disclosed in the announcement of the Company dated 12 March 2021
“Bailian Supermarket”	Zhejiang Bailian Supermarket Co., Ltd.* (浙江百聯超市有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Yibai Supermarket as at the date of this announcement
“Board”	the board of directors of the Company
“Company”	Lianhua Supermarket Holdings Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on The Stock Exchange of Hong Kong Limited
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 26 September 2021 entered into between Lianhua Huashang and Yibai Supermarket in respect of the Acquisition, details of which are disclosed in this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“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 where the Company holds 74.19% equity interests
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Yibai Supermarket”	Zhuji Yibai Supermarket Co., Ltd.* (諸暨市一百超市有限公司), an independent third party

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

Shanghai, the PRC, 26 September 2021

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

<i>Executive Director:</i>	Chong Xiao-bing;
<i>Non-executive Directors:</i>	Ye Yong-ming, Xu Zi-ying, Xu Hong, Zhang Shen-yu, Dong Xiao-chun and Wong Tak Hung;
<i>Independent Non-executive Directors:</i>	Xia Da-wei, Lee Kwok Ming, Don, Chen Wei and Zhao Xin-sheng.

* for identification purposes only