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

**(Stock Code: 00980)**

## **ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

### **BACKGROUND**

Reference is made to the announcements of the Company dated 5 December 2019, 16 April 2020 and 24 September 2021 and the circulars of the Company dated 8 May 2020 and 26 October 2021.

On 30 September 2022, the Company renewed the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Warehouse Leasing Framework Agreement with Bailian Group, and renewed the Sales Agency Framework Agreement with Bailian Omni-channel in order to continue the transactions under the Existing Procurement of Goods Framework Agreement, Existing Goods Supply Framework Agreement, Existing Warehouse Leasing Framework Agreement and Existing Sales Agency Framework Agreement, which will expire on 31 December 2022 respectively.

### **PROCUREMENT OF GOODS FRAMEWORK AGREEMENT**

On 30 September 2022, the Company entered into the Procurement of Goods Framework Agreement with Bailian Group, pursuant to which, the Group agreed to procure and Bailian Group and/or its associates agreed to supply various kind of goods, including but not limited to fresh produce, food and industrial products, for sales in the outlets of the Group for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

## **GOODS SUPPLY FRAMEWORK AGREEMENT**

On 30 September 2022, the Company entered into the Goods Supply Framework Agreement with Bailian Group, pursuant to which, the Group agreed to supply various kinds of goods to Bailian Group and/or its subsidiaries, including but not limited to foods and fresh produce, for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

## **WAREHOUSE LEASING FRAMEWORK AGREEMENT**

On 30 September 2022, the Company entered into the Warehouse Leasing Framework Agreement with Bailian Group, pursuant to which, the Group agreed to lease warehouses to Bailian Group and/or its subsidiaries for use as warehouses, offices or other purposes, for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

## **SALES AGENCY FRAMEWORK AGREEMENT**

On 30 September 2022, the Company entered into the Sales Agency Framework Agreement with Bailian Omni-channel, pursuant to which, Bailian Omni-channel agreed to sell the goods (namely, food, washing detergent, fresh produce, home textiles, home appliances and miscellaneous items) on behalf of the Group through its e-commerce platform for a term commencing from 1 January 2023 to 31 December 2023 (both days inclusive).

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Bailian Group is a substantial Shareholder and Bailian Omni-channel is a subsidiary of Bailian Group, and therefore Bailian Group and Bailian Omni-channel are connected persons of the Company. As such, the transactions contemplated under each of the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement, Warehouse Leasing Framework Agreement and Sales Agency Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement exceeds 5%, the transactions contemplated under such agreements are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Warehouse Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, to approve, among others, the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the respective proposed annual caps).

Because additional time is required to prepare and finalize 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 16 November 2022.

## **I. BACKGROUND**

Reference is made to the announcements of the Company dated 5 December 2019, 16 April 2020 and 24 September 2021 and the circulars of the Company dated 8 May 2020 and 26 October 2021.

On 30 September 2022, the Company renewed the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Warehouse Leasing Framework Agreement with Bailian Group, and renewed the Sales Agency Framework Agreement with Bailian Omni-channel in order to continue the transactions under the Existing Procurement of Goods Framework Agreement, Existing Goods Supply Framework Agreement, Existing Warehouse Leasing Framework Agreement and Existing Sales Agency Framework Agreement, which will expire on 31 December 2022 respectively.

## **II. PROCUREMENT OF GOODS FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 16 April 2020 and the circular of the Company dated 8 May 2020 in relation to the Existing Procurement of Goods Framework Agreement.

### **Date**

30 September 2022

### **Parties**

- (1) The Company (as the purchaser); and
- (2) Bailian Group (as the supplier)

### **Term**

The Procurement of Goods Framework Agreement is for a term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

### **Procurement of Goods**

Pursuant to the Procurement of Goods Framework Agreement, the Group agreed to procure and Bailian Group and/or its associates agreed to supply various kinds of goods, including but not limited to fresh produce, food, and industrial products, for sale in the sales outlets of the Group.

The Group and Bailian Group and/or its associates will enter into individual procurement of goods contracts setting out specific terms. Such terms will be consistent with the principles and the terms of the Procurement of Goods Framework Agreement. If there is any discrepancy between the terms of an individual procurement of goods contract and the Procurement of Goods Framework Agreement, the latter shall prevail.

## **Consideration and Payment**

The pricing for the goods procured under the Procurement of Goods 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 price of such goods from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable than those available from independent third parties.

Depending on the specific goods to be procured and the practices of Bailian Group and/or its associates, the actual payments for the procurement of goods under the Procurement of Goods Framework Agreement are to be made as agreed in the agreement (which shall be determined by the market practice of the payment period of such particular type of goods procured and shall not be less favourable than those available from independent third parties). Details of the payment terms shall be set out in the individual procurement of goods contracts to be entered into between both parties with reference to the normal commercial terms of Bailian Group and/or its associates and on terms not less favourable than those available from independent third parties.

## **Historical Amounts**

The historical amounts for the transactions under the Existing Procurement of Goods Framework Agreement by the Group to Bailian Group and/or its associates for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 and eight months ended 31 August 2022 are as follows:

<b>For the Year/Period ended</b>	<b>Transaction Amounts (RMB thousand)</b>
31 December 2019	80,987.0
31 December 2020	322,948.0
31 December 2021	354,190.6
31 August 2022	151,087.8

## **Proposed Annual Caps and Basis of Proposed Annual Caps**

The respective maximum annual transaction amounts payable by the Group to Bailian Group for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Procurement of Goods Framework Agreement are set out as follows:

<b>Period</b>	<b>Maximum Transaction Amounts</b> <i>(RMB thousand)</i>
From 1 January 2023 to 31 December 2023	500,000
From 1 January 2024 to 31 December 2024	600,000
From 1 January 2025 to 31 December 2025	700,000

Such maximum annual transaction amounts are determined after taking into account the following primary factors:

1. the historical transaction amounts for the procurement of goods by Bailian Group and/or its associates to the Group; and
2. the demands in the prevailing market for products including but not limited to fresh produce, food, and industrial products in the PRC.

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 above proposed annual caps in respect of the procurement of goods by the Group from Bailian Group and/or its associates are fair and reasonable.

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

The products sold by Bailian Group and its associates are well recognized by the market and supported by a stable customer base. The Company has established a stable business relationship with Bailian Group and its associates in connection with the procurement of their products, which has also formed a significant part of the operation of the Company. The entering into of the Procurement of Goods Framework Agreement will enhance the stability of the business operation as well as the long-term development 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 terms of the Procurement of Goods Framework Agreement are fair and reasonable, are entered into on normal commercial terms in the ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole.

## **Internal Control and Pricing Policy**

In order to ensure that the terms for the procurement of goods from Bailian Group and/or its associates by the Group are not less favourable than those available to independent third parties, the Company has adopted the following measures:

1. the prices for the goods will be negotiated on arm's length basis and with reference to the prevailing market prices of similar products, which will be determined through a periodic price research conducted by the staff of the business department of the Group by obtaining the prices of products charged by suppliers in the market for similar products comparable to the products under the Procurement of Goods Framework Agreement. The staff of the business department of the Group will conduct price research for each category of the goods. Depending on the different categories of the goods to be procured, the staff of the business department of the Group will obtain quotes from at least two to three other suppliers in the market on a monthly basis.

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 Group will conduct regular checks to review and assess whether the transactions contemplated under the Procurement of Goods Framework Agreement are conducted in accordance with the terms of such agreement and will also regularly update the market price for their purpose of considering if the price charged for a specific transaction is 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 Group; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

### **III. GOODS SUPPLY FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 5 December 2019 in relation to the Existing Goods Supply Framework Agreement.

#### **Date**

30 September 2022

#### **Parties**

- (1) The Company (as the supplier); and
- (2) Bailian Group (as the purchaser)

## **Term**

The Goods Supply Framework Agreement is for a term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

## **Supply of Goods**

The Group agreed to supply various kinds of goods, including but not limited to foods and fresh produce, to Bailian Group and/or its subsidiaries.

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

## **Consideration and Payment**

The prices for the goods to be supplied under the Goods Supply Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such goods. The payment under the individual goods supply contract is to be made according to the terms of the individual goods supply contract. The prices for the goods supplied by the Group to Bailian Group and/or its subsidiaries 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 transactions under the Existing Goods Supply Framework Agreement by Bailian Group and/or its subsidiaries to the Group for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 and eight months ended 31 August 2022 are as follows:

<b>For the Year/Period ended</b>	<b>Transaction Amounts</b> <i>(RMB thousand)</i>
31 December 2019	13,819.9
31 December 2020	27,279.0
31 December 2021	27,557.0
31 August 2022	12,280.5

## Proposed Annual Caps and Basis of Proposed Annual Caps

The respective maximum annual transaction amounts payable by Bailian Group to the Company for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Goods Supply Framework Agreement are set out as follows:

<b>Period</b>	<b>Maximum Transaction Amounts</b> <i>(RMB thousand)</i>
From 1 January 2023 to 31 December 2023	50,000
From 1 January 2024 to 31 December 2024	60,000
From 1 January 2025 to 31 December 2025	70,000

Such maximum annual transaction amounts are determined after taking into account the following primary factors:

1. the historical transaction amount for the purchase of goods by Bailian Group from the Company in the past;
2. the anticipated increase in categories and amounts of fresh produce and food to be purchased by Bailian Group due to its business development from the Company and the anticipated increase in the number of subsidiaries of Bailian Group which will purchase goods from the Company; and
3. the anticipated increasing demand for fresh produce and food in the prevailing markets of the PRC.

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 above annual caps in respect of the supply of goods by the Group to Bailian Group and/or its subsidiaries are fair and reasonable.

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

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

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

## **Internal Control and Pricing Policy**

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

1. the prices for the goods to be supplied by the Group to Bailian Group and/or its subsidiaries will be negotiated on arm's length basis which are determined with reference to the purchasing costs of the goods as well as the operation costs (including administrative costs and labour costs, etc.) to be incurred by the Group for supplying goods to Bailian Group and/or its subsidiaries under the Goods Supply Framework Agreement;
2. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. The relevant personnel of the business department of the Group 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 Group; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

## **IV. WAREHOUSE LEASING FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 5 December 2019 in relation to the Existing Warehouse Leasing Framework Agreement.

### **Date**

30 September 2022

### **Parties**

- (1) The Company (as the lessor); and
- (2) Bailian Group (as the lessee)

### **Term**

The Warehouse Leasing Framework Agreement is for a term of three years commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

### **Warehouse Leasing Business Cooperation**

Pursuant to the Warehouse Leasing Framework Agreement, the Group agreed to lease warehouses to Bailian Group and/or its subsidiaries for use as warehouses, offices or other purposes.

Both parties are entitled to conduct specific negotiations regarding the warehouse leasing business cooperation and are allowed to enter into individual lease agreements regarding the warehouse leasing business cooperation. The Company and Bailian Group will be allowed to authorise their subordinate operating units to perform the individual warehouse leasing business cooperation and to assume the relevant obligations. These authorised subordinate operating units are entitled to enter into, and execute, individual lease agreements regarding the warehouse leasing business cooperation. Individual lease agreements regarding the warehouse leasing business cooperation shall be subject to the principles and the terms of the Warehouse Leasing Framework Agreement. If there is any conflict between the terms of any such individual lease agreements and the Warehouse Leasing Framework Agreement, the latter shall prevail.

## Consideration and Payment

The rental of warehouses leased by the Group to Bailian Group and/or its subsidiaries under the Warehouse Leasing Framework Agreement is determined principally on arm's length commercial negotiations according to the principles of fairness and reasonableness with reference to the market rental of comparable properties.

Individual lease agreements to be entered into during the term of the Warehouse Leasing Framework Agreement regarding the warehouse leasing business cooperation should set out clearly the specific terms including the price determination method, settlement method, payment terms and timing of payment. Depending on the specific conditions of the transactions contemplated under the individual lease agreements, the rental payment under the specific lease agreements should be made by bank transfer on a monthly or agreed basis.

The transactions contemplated under the Warehouse 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 to the Company than those available to independent third parties.

## Historical Amounts

The historical amounts for the transactions under the Existing Warehouse Leasing Framework Agreement paid by Bailian Group and/or its subsidiaries to the Group for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 and eight months ended 31 August 2022 are as follows:

<b>For the Year/Period ended</b>	<b>Transaction Amounts (RMB thousand)</b>
31 December 2019	12,988.0
31 December 2020	14,064.0
31 December 2021	14,149.9
31 August 2022	9,745.0

## **Proposed Annual Caps and Basis of Proposed Annual Caps**

The respective maximum annual rental payable by Bailian Group to the Company for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Warehouse Leasing Framework Agreement is set out as follows:

<b>Period</b>	<b>Maximum Transaction Amounts</b> <i>(RMB thousand)</i>
From 1 January 2023 to 31 December 2023	20,000
From 1 January 2024 to 31 December 2024	20,000
From 1 January 2025 to 31 December 2025	20,000

Such maximum annual transaction amounts are determined after taking into account the following primary factors:

1. Areas of warehouses owned by the Company which are available for lease at present and the rental level of the premises around those warehouses;
2. the continuous increase in business cooperation between the Company and Bailian Group; and
3. the continuous increase in rental cost in recent years in the commercial areas in Shanghai.

The Directors (including the independent non-executive 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.

## **Reasons for and Benefits of Entering into the Warehouse Leasing Framework Agreement**

By entering into the Warehouse Leasing Framework Agreement, the Company can make better use of its spare warehouses and increase their operational efficiency. As a result, the Company can earn a stable rental income and enhance the stability of the Company's leasing operation as well as the long term development of the Company.

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

## **Internal Control and Pricing Policy**

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

1. the rental of warehouses leased by the Group to Bailian Group and/or its subsidiaries under the Warehouse Leasing Framework Agreement is negotiated on arm's length basis with reference to the prevailing prices of comparable properties of the Company at the same location leased to at least two to three independent third parties during the same period; the relevant departments and management of the Company (as the case maybe) will examine the rental of warehouses leased by the Group 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 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 Group; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

## **V. SALES AGENCY FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 24 September 2021 and the circular of the Company dated 26 October 2021 in relation to the Existing Sales Agency Framework Agreement.

### **Date**

30 September 2022

### **Parties**

- (1) Bailian Omni-channel (as agent); and
- (2) the Company (as principal)

## **Term**

The Sales Agency Framework Agreement is for a term of one year commencing from 1 January 2023 to 31 December 2023 (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) with the Company as agreed in the agreement. The fees payable by the Company are as follows:

- (1) in respect of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through the main site of their e-commerce platforms, the Company will pay Bailian Omni-channel the platform usage fee which is equivalent to 4% of the total transaction amount of Goods sold and shall not exceed 4% of the sales budget of the Goods. Besides, the Company shall also pay Bailian Omni-channel the payment handling fees which shall be charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold; and
- (2) in respect of Goods sold by the Group through the third-party platforms, the Company will pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold, and the third party platform usage fees paid by Bailian Omni-channel on behalf of the Group at actual cost.

The parties and/or their 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 are 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) In respect of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through the main site of their e-commerce platforms, the Company agrees to pay Bailian Omni-channel (i) the platform usage fee which is equivalent to 4% of the total transaction amount of Goods sold or 4% of the sales budget of the Goods (whichever is lower); and (ii) the payment handling fee which is charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold.

In respect of Goods sold by the Group through the third-party platforms, the Company agrees to (i) pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold; and (ii) pay the third party platforms usage fees paid by Bailian Omni-channel on behalf of the Group at actual cost.

- (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 as agreed in the agreement 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 such order information. Upon receiving such notification, the Company or its subsidiaries will deliver the Goods to the end customer. Bailian Omni-channel will settle the Selling Prices with the Company 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 as agreed in the agreement. After the Selling Prices are settled by Bailian Omni-channel, the Company will pay Bailian Omni-channel (i) the platform usage fee which is equivalent to 4% of the total transaction amount of Goods sold or 4% of the sales budget of the Goods (whichever is lower); and (ii) the payment handling fee which is charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold; and
- (2) The end customer will place an order for the purchase of Goods of the Group and pay the Selling Prices to the third-party platforms on their e-commerce platforms. The third-party platforms will transmit the order information to Bailian Omni-channel, and Bailian Omni-channel will notify the Company or its subsidiaries of such order information. Upon receiving such notification, the Company or its subsidiaries will deliver the Goods to the end customer. The settlement period between Bailian Omni-channel and the third-party platforms is subject to the individual contracts entered into by them. Bailian Omni-channel will settle the Selling Prices with the Company which are equivalent to the total transaction amount of Goods sold through the third-party platforms as agreed in the agreement. After the Selling Prices are settled by Bailian Omni-channel, the Company will (i) pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold by the Group through the third party platforms; and (ii) pay the third party platforms usage fees paid by Bailian Omni-channel on behalf of the Group at actual cost.

## Historical Amount

The historical transactions amounts for the sales agency services provided by Bailian Omni-channel and/or its subsidiaries for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 and eight months ended 31 August 2022 are as follows:

<b>For the Year/Period ended</b>	<b>Transaction Amounts</b> <i>(RMB thousand)</i>	<b>Platform Usage Fees</b> <i>(RMB thousand)</i>
31 December 2019	442,377.0	19,887.0
31 December 2020	600,780.0	27,358.0
31 December 2021	708,499.8	33,365.8
31 August 2022	342,894.4	27,150.0

## Proposed Annual Caps and Basis of Proposed Annual Caps

The maximum annual transaction amount in respect of the Goods to be sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group for the financial year ending 31 December 2023 under the Sales Agency Framework Agreement is set out as follows:

<b>Period</b>	<b>Maximum Transaction Amounts</b> <i>(RMB thousand)</i>
From 1 January 2023 to 31 December 2023	1,800,000

Such maximum annual transaction amounts are determined after taking into account the following primary factors:

1. 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;
2. considering the fact that the transactions amounts between the Group and Bailian Omni-channel under the Sales Agency Framework Agreement have shown a large growth trend from 2019 to 2021. The epidemic severely affected the sales in the second quarter of 2022, and online sales gradually rebounded in the second half of the year. It is anticipated that there will be a large increase in the Company’s sales of Goods on the e-commerce platforms of Bailian Omni-channel in 2023 with the continuous improvements of epidemic and the continuous improvement of the “Delivery to Home” business, the continuous expansions of the types of commodities, especially the expansion of types of fresh produce and the continuous improvements in the services provided;
3. in the past three years, the Company deepened the cooperation with the e-commerce platforms of Bailian Omni-channel for the sales agency business in Anhui Province and Jiangsu Province, and the e-commerce business of the Company expanded. 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
4. the e-commerce businesses of Bailian Omni-channel and/or its subsidiaries have been developed and continuously perfected in the past four 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.

The maximum platform usage fee payable by the Group for the financial year ending 31 December 2023 under the Sales Agency Framework Agreement is set out as follows:

<b>Period</b>	<b>Maximum Platform Usage Fee (RMB thousand)</b>
From 1 January 2023 to 31 December 2023	110,000

Such maximum platform usage fee is determined after taking into account the following primary factors:

1. The fee payable to Bailian Omni-channel by the Company 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 or 4% of the sales budget of the Goods (whichever is lower) plus the payment handling fee which is charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold in respect of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through the main site of their e-commerce platforms; and (b) 1% of the total transaction amount of Goods sold in respect of Goods sold by the Group through the third-party platforms and the third party platforms usage fees paid by Bailian Omni-channel on behalf of the Group at actual cost.

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 Company 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, providing Bailian member traffic support and providing instant after-sale services for the Goods sold. 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.

2. To the best knowledge of the Directors, the third-party platforms charge different platform usage fees for different types of goods sold or services provided on their e-commerce platforms. As such, the platform usage fee payable to Bailian Omni-channel and/or its subsidiaries which is equivalent to (a) 4% of the total transaction amount of Goods sold or 4% of the sales budget of the Goods (whichever is lower) plus the payment handling fee which is charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold in respect of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through the main site of their e-commerce platforms; and (b) 1% of the total transaction amount of Goods sold in respect of Goods sold by the Group through the third-party platforms and the third party platforms usage fees paid by Bailian Omni-channel on behalf of the Group at actual cost would not be less favourable.

3. 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 2023 is RMB1.8 billion.

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) consider that the proposed annual caps under the Sales Agency Framework Agreement are fair and reasonable.

### **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.

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

In order to ensure that the terms for the sales agency services provided by the Bailian Omni-channel and/or its subsidiaries are not less favourable than those available to 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 Omnichannel 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 Group; and
6. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

## **VI. 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 the 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 the Bailian Group**

Bailian Group is principally engaged in businesses relating to domestic trading, provision of production materials, logistics and development of commercial properties. Bailian Group is 100% held by Shanghai State-owned Assets Supervision and Administration Commission.

## **VII. BOARD'S APPROVAL**

The Board has approved the entering into of the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement, Warehouse Leasing Framework Agreement and Sales Agency Framework Agreement and their respective annual caps, and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Mr. Pu Shao-hua, Mr. Shi Xiao-long, 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 resolutions of the Board to approve the entering into of the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement, Warehouse Leasing Framework Agreement and Sales Agency Framework Agreement. Save as disclosed above, none of the other Directors was required to abstain from voting to approve the resolutions in relation to the continuing connected transactions.

## **VIII. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Bailian Group is a substantial Shareholder and Bailian Omni-channel is a subsidiary of Bailian Group and therefore Bailian Group and Bailian Omni-channel are connected persons of the Company. As such, the transactions contemplated under each of the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement, Warehouse Leasing Framework Agreement and Sales Agency Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **Continuing Connected Transactions**

As each of the highest applicable percentage ratio for the highest proposed annual caps for the transactions contemplated under the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement exceeds 5%, the transactions contemplated under such 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 the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Warehouse Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement is subject to the reporting, annual review and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **IX. EGM**

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, to approve, among others, the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and 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 subsidiary, being a party to each of the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement, has material interests in the relevant continuing connected transactions. 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 Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the proposed annual caps). Saved as disclosed above, no other Shareholders would be required to abstain from voting to approve the resolutions in relation to the continuing connected transactions (including the proposed annual caps) at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the relevant continuing connected transactions) will be formed to advise the Independent Shareholders on the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the proposed annual caps).

The Company has appointed Lego as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the proposed annual caps) in accordance with the Listing Rules.

## **X. DESPATCH OF CIRCULAR**

Because additional time is required to prepare and finalize 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 16 November 2022 which contains, among others, the following things:

- (i) details of the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the proposed annual caps);

- (ii) the opinion and recommendation of the Independent Board Committee on the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the 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 Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the proposed annual caps).

## **XI. DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Bailian Group”	Bailian Group Co., Ltd.* (百聯集團有限公司), a limited liability company incorporated in the PRC and a substantial 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 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
“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 Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the respective proposed annual caps)
“Existing Goods Supply Framework Agreement”	the goods supply framework agreement dated 5 December 2019 entered into between the Company and Bailian Group, details of which are disclosed in the announcement of the Company dated 5 December 2019
“Existing Procurement of Goods Framework Agreement”	the procurement of goods framework agreement dated 16 April 2020 entered into between the Company and Bailian Group, details of which are disclosed in the announcement of the Company dated 16 April 2020 and the circular of the Company dated 8 May 2020
“Existing Sales Agency Framework Agreement”	the sales agency framework agreement dated 24 September 2021 entered into between the Company and Bailian Omni-channel details of which are disclosed in the announcement of the Company dated 24 September 2021 and the circular of the Company dated 26 October 2021
“Existing Warehouse Leasing Framework Agreement”	the warehouse leasing framework agreement dated 5 December 2019 entered into between the Company and Bailian Group, details of which are disclosed in the announcement of the Company dated 5 December 2019
“Goods Supply Framework Agreement”	the goods supply framework agreement entered into between the Company and Bailian Group on 30 September 2022, details of which are disclosed in this announcement
“Group”	the Company and its subsidiaries

“H Share(s)”	the overseas listed foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	independent board committee of the Company comprising all of the independent non-executive Directors
“Independent Financial Advisor” or “Lego”	Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the proposed annual caps), which is a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity 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 resolution in relation to the Procurement of Goods Framework Agreement, Goods Supply Framework Agreement and Sales Agency Framework Agreement (including the proposed annual caps) at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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

“Procurement of Goods Framework Agreement”	the procurement of goods framework agreement entered into between the Company and Bailian Group on 30 September 2022, details of which are disclosed in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agency Framework Agreement”	the sales agency framework agreement entered into between the Company and Bailian Omni-channel on 30 September 2022, details of which are disclosed in this announcement
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warehouse Leasing Framework Agreement”	the warehouse leasing framework agreement entered into between the Company and Bailian Group on 30 September 2022, details of which are disclosed in this announcement
“%”	per cent

By order of the Board  
**Lianhua Supermarket Holdings Co., Ltd.**  
**Pu Shao-hua**  
*Chairman*

Shanghai, the PRC, 30 September 2022

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

*Executive Director:*

Chong Xiao-bing;

*Non-executive Directors:*

Pu Shao-hua, Shi Xiao-long, Xu Pan-hua, Zhang Shen-yu, Dong Xiao-chun and Wong Tak Hung;

*Independent non-executive Directors:*

Xia Da-wei, Lee Kwok Ming, Don, Chen Wei and Zhao Xin-sheng.

\* *For identification purpose only*