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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

BUSINESS COOPERATION FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 24 December 2020 in relation to the continuing connected transactions with Alipay.

As the Existing Software Services Framework Agreement is expiring on 31 December 2023, the Company entered into the Business Cooperation Framework Agreement with Alipay on 18 October 2023 to renew and continue the transactions under the Existing Software Services Framework Agreement, pursuant to which, Alipay and its associates agreed to provide payment services and related services including, among other things, platform information services, software services, use of brand, operation assistance, management consultant and technical support, to the Company and its subsidiaries for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ant Group, the holding company of Alipay, is an associate of Alibaba China, a substantial Shareholder. As such, Alipay constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest proposed annual cap under the Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Business Cooperation Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. BACKGROUND

Reference is made to the announcement of the Company dated 24 December 2020 in relation to the continuing connected transactions with Alipay.

As the Existing Software Services Framework Agreement is expiring on 31 December 2023, the Company entered into the Business Cooperation Framework Agreement with Alipay on 18 October 2023 to renew and continue the transactions under the Existing Software Services Framework Agreement, pursuant to which, Alipay and its associates agreed to provide payment services and related services including, among other things, platform information services, software services, use of brand, operation assistance, management consultant and technical support, to the Company and its subsidiaries for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

II. BUSINESS COOPERATION FRAMEWORK AGREEMENT

Date

18 October 2023

Parties

- (1) The Company (as the service recipient); and
- (2) Alipay (as the service provider)

Term

The Business Cooperation Framework Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Business Cooperation

Pursuant to the Business Cooperation Framework Agreement, Alipay and its associates agreed to provide payment services and related services including, among other things, platform information services, software services, use of brand, operation assistance, management consultant and technical support, to the Company and its subsidiaries for a term comment. With respect to the payment services and related services, Alipay and/or its associates agree to act as the payment channel between the end customers and the Group. The Company and its subsidiaries can use the equipment that supports the system of Alipay and/or its associates to identify the bar code, QR code or sonic wave on end customers' smart phones or other wireless equipment supported by Alipay and its subsidiaries to complete the settlement process with the end customers. Alipay or its associates will provide the Company or its subsidiaries with related services, including but not limited to platform information services, software services (e.g., encryption and online enquiry services), use of brand, operation assistance, management consultant and technical support.

The relevant members of the Group and Alipay and/or its associates will enter into individual services contracts setting out specific terms. Such terms will be consistent with the principles and the terms of the Business Cooperation Framework Agreement. If there is any discrepancy between the terms of an individual services contract and the Business Cooperation Framework Agreement, the latter shall prevail.

Service Fees and Payment

Alipay and/or its associates will charge the Group service fees for the payment services and related services to be provided under the Business Cooperation Framework Agreement.

With respect to the payment services and the related services to be provided by Alipay and/or its associates, the service fees shall be charged and deducted upon the completion of the transactions between the end customers and the relevant members of the Group in real time or otherwise agreed between the parties to the individual service contract, the amount of which shall be calculated based on the actual transaction amounts between the end customers and the relevant members of the Group at an agreed rate, which shall be determined through arm's-length negotiation between the parties to the individual service contract on normal commercial terms based on the standard rate charged by Alipay and/or its associates to their other customers. With respect to the related services including among others, platform information services, software services, use of brand, operation assistance, management consultant and technical support, the service fees shall be paid on a monthly basis or otherwise agreed between the parties to the individual service contract, the amount of which shall be calculated based on the actual transaction amounts between the end customers and the relevant members of the Group, and the amount and types of services provided by Alipay and/or its associates, at an agreed rate, which shall be determined through arm's-length negotiation between the parties to the individual service contract on normal commercial terms based on the standard rate charged by Alipay and/or its associates to their other customers.

Historical Amount

The historical amounts for the transactions under the Existing Software Services Framework Agreement for the two years ended 31 December 2021 and 31 December 2022 and nine months ended 30 September 2023 are as follows:

For the Year/Period ended	Transaction Amounts (RMB thousand)
31 December 2021	24,332.7
31 December 2022	28,152.0
30 September 2023	8,673.4

Proposed Annual Caps and Basis of Proposed Annual Caps

The respective maximum annual transaction amounts payable by the Group for the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 under the Business Cooperation Framework Agreement are set out as follows:

For the Year ended 31 December	Maximum Transaction Amounts (RMB thousand)
2024	18,000
2025	18,000
2026	18,000

Such annual caps are determined after taking into account the following primary factors:

1. the historical transaction amounts for the services fees paid by the Group under the Existing Software Services Framework Agreement in the past;
2. the expected demand of the relevant members of the Group for the payment services and the types and amount of other related services to be provided by Alipay and/or its associates; and
3. the estimated amounts to be settled between the Group and its end customers through Alipay and/or its associates during the term of the Business Cooperation Framework Agreement.

In view of the above, the Directors (including the independent non-executive Directors) consider that the proposed annual caps in respect of the services fees payable by the Group to Alipay and/or its associates are fair and reasonable.

Internal Control and Pricing Policy

In order to ensure that the terms under the Business Cooperation 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 Business Cooperation 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 Group; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

III. REASONS FOR AND BENEFITS OF ENTERING INTO THE BUSINESS COOPERATION FRAMEWORK AGREEMENT

Alipay is one of the China's largest digital payment platform. Its digital payment services enable merchants to transact with consumers in China in a convenient and secure way, across almost all online and offline payment use cases. Through entering into the Business Cooperation Framework Agreement, the Group can leverage the technical expertise of Alipay and/or its associates to provide the customers of the Group with more payment options, as well as leverage the platform information services, software services, operation assistance, technical support and related services provided by Alipay and/or its associates, so as to improve the operation efficiency of the Group, support the business needs of the Group and improve the experience of customers.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Business Cooperation 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.

IV. 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 Alipay

Alipay is a company incorporated under the laws of the PRC and a wholly-owned subsidiary of Ant Group, is principally engaged in providing payment processing services. Alipay is one of the leading players in the online and offline payment markets in China. As at the date of this announcement, to the best knowledge of the Company, Hangzhou Junhan Equity Investment Partnership (Limited Partnership)* (杭州君瀚股權投資合夥企業(有限合夥), “**Hangzhou Junhan**”) and Hangzhou Junao Equity Investment Partnership (Limited Partnership)* (杭州君澳股權投資合夥企業(有限合夥), “**Hangzhou Junao**”) hold approximately 31.04% and 22.42% (together approximately 53.46%) of Ant Group’s total issued shares, respectively. Hangzhou Yunbo Investment Consulting Co., Ltd.* (杭州雲鉞投資諮詢有限公司, “**Hangzhou Yunbo**”) is the executive partner and general partner of, and controls, Hangzhou Junhan and Hangzhou Junao. Mr. Jack Ma holds a 34% equity interest in Hangzhou Yunbo and each of Mr. Eric Jing, Mr. Simon Hu and Ms. Fang Jiang holds a 22% equity interest in Hangzhou Yunbo. The remaining 46.54% issued shares in Ant Group is held as to 32.65% by Hangzhou Alibaba Network Technology Co., Ltd.* (杭州阿里巴巴網絡科技有限公司), an indirect wholly-owned subsidiary of Alibaba Group, and as to 13.89% by other minority shareholders, each of which holds less than 3% issued shares in Ant Group.

V. BOARD’S APPROVAL

The Board has approved the entering into of the Business Cooperation Framework Agreement and the proposed annual caps, and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Ms. Hu Xiao is either holding senior positions or is directors in Alibaba Group and/or its subsidiaries, she has abstained from voting on the relevant resolution of the Board to approve the entering into of the Business Cooperation Framework Agreement.

Save as disclosed above, none of the other Directors was required to abstain from voting to approve the resolution in relation to the entering into the Business Cooperation Framework Agreement and the proposed annual caps.

VI. LISTING RULES IMPLICATIONS

As at the date of this announcement, Ant Group, the holding company of Alipay, is an associate of Alibaba China, a substantial Shareholder. As such, Alipay constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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VII. 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), a company incorporated in the Cayman Islands with limited liability (American Depositary Shares of which are listed on the New York Stock Exchange (symbol: BABA) and shares of which are listed on the Main Board of the Stock Exchange (stock code: 9988))
“Alipay”	Alipay.com Co., Ltd.* (支付寶(中國)網絡技術有限公司), a company incorporated in the PRC with limited liability
“Ant Group”	Ant Group Co., Ltd.* (螞蟻科技集團股份有限公司), a company organized under the laws of the PRC, an associate of Alibaba Group

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“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
“connected person”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Software Services Framework Agreement”	the software services framework agreement dated 24 December 2020 entered into between the Company and Alipay, details of which are disclosed in the announcement of the Company dated 24 December 2020
“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
“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
“RMB”	Renminbi, the lawful currency of the PRC

“Business Cooperation Framework Agreement”	the business cooperation framework agreement entered into between the Company and Alipay on 18 October 2023, details of which are disclosed in this announcement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Shanghai, the PRC, 18 October 2023

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>	Pu Shao-hua, Shi Xiao-long, Hu Xiao, 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 purpose only*