
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 聯華超市股份有限公司 (Lianhua Supermarket Holdings Co., Ltd.), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00980)

- (1) CONTINUING CONNECTED TRANSACTIONS**
- (2) VERY SUBSTANTIAL ACQUISITION,
CONNECTED TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS**
- (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**
- (5) NOTICE OF DOMESTIC SHARES AND
UNLISTED FOREIGN SHARES CLASS MEETING
AND**
- (6) NOTICE OF H SHARES CLASS MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 6 to 45 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 46 to 47 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 48 to 90 of this circular.

The Company will convene the EGM at 9:30 a.m. on Thursday, 21 December 2023 at the Conference Room, 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the PRC. The notice of EGM, Domestic Shares and Unlisted Foreign Shares Class Meeting and H Shares Class Meeting, together with the reply slips and proxy forms, are enclosed herein. If you are eligible, and intend, to attend the EGM, Domestic Shares and Unlisted Foreign Shares Class Meeting and H Shares Class Meeting, please complete and return the relevant reply slips for attendance in accordance with the instruction printed thereon as soon as possible and in any event not later than Friday, 1 December 2023. Whether or not you will attend the EGM, Domestic Shares and Unlisted Foreign Shares Class Meeting and H Shares Class Meeting, you are reminded to complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 24 hours before the time fixed for holding the EGM, Domestic Shares and Unlisted Foreign Shares Class Meeting and H Shares Class Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM, Domestic Shares and Unlisted Foreign Shares Class Meeting and H Shares Class Meeting or any adjournment thereof if you so wish.

6 November 2023

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

“AMAC”	Asset Management Association of China (中國證券投資基金業協會)
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“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 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
“Class Meetings”	the Domestic Shares and Unlisted Foreign Shares Class Meeting and the H Shares Class Meeting
“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(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Custodian Bank”	Shanghai Branch of China Construction Bank Corporation
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the domestic shares of nominal value of RMB1.00 each in the registered capital of the Company
“Domestic Shares and Unlisted Foreign Shares Class Meeting”	the general meeting of holders of Domestic Shares and Unlisted Foreign Shares to be held by the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if appropriate, to approve, (i) the Supplemental Agreement and the transactions contemplated thereunder; (ii) the Sales Agency Framework Agreement (including the proposed annual caps); and (iii) the proposed amendments to the Articles of Association
“Entrusted Assets”	the principal amount of assets entrusted by Lianhua Huashang under the Scheme, which shall be invested and managed by Shanghai Securities pursuant to the Supplemental Agreement
“Entrustor”	the entrustor under the Scheme, i.e., Lianhua Huashang
“ETF”	exchange traded fund
“Existing Sales Agency Framework Agreement”	the sales agency framework agreement dated 30 September 2022 entered into between the Company and Bailian Omni-channel in relation to the provision of sales agency services by Bailian Omni-channel to the Group
“First Pharmaceutical”	Shanghai First Pharmaceutical Co., Ltd.* (上海第一醫藥股份有限公司), a subsidiary of Bailian Group
“Goods”	the goods to be sold by Bailian Omni-channel on behalf of the Group pursuant to the terms the Sale Agency Framework Agreement including food, washing detergent, fresh produce, home textiles, home appliances and miscellaneous items
“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
“H Shares Class Meeting”	the general meeting of holders of H Shares to be held by the Company
“H Shareholder(s)”	the holders of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hualian GMS”	Hualian GMS Shopping Center Co., Ltd* (華聯集團吉買盛購物中心有限公司), a subsidiary of Bailian Group

DEFINITIONS

“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 Sales Agency Framework Agreement (including the proposed annual caps) and the Supplemental Agreement, 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, Shanghai Bailian and their respective associates, who will abstain from voting on the relevant resolution in relation to the Sales Agency Framework Agreement (including the proposed annual caps) and the Supplemental Agreement at the EGM
“Investment and Wealth Management Cooperation Framework Agreement”	the investment and wealth management cooperation framework agreement dated 23 April 2021 entered into between the Company and Shanghai Securities, details of which are disclosed in the announcement of the Company dated 23 April 2021 and the circular of the Company dated 27 May 2021
“Latest Practicable Date”	30 October 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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
“LOF”	listed open-ended fund
“Manager”	the manager under the Scheme, i.e., Shanghai Securities
“NAFMII”	National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會)
“PBOC”	the People’s Bank of China

DEFINITIONS

“percentage ratio(s)”	shall has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agency Framework Agreement”	The sales agency framework agreement dated 27 September 2023 entered into between the Company and Bailian Omni-channel in relation to the provision of sales agency services by Bailian Omni-Channel to the Group
“Scheme”	the open-end, fixed-income asset management scheme to be carried out and provided by Shanghai Securities to the Company under the Supplemental Agreement
“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
“Shanghai Securities”	Shanghai Securities Co., Ltd. (上海證券有限責任公司), a subsidiary of Bailian Group
“Shareholder(s)”	the shareholder(s) of the Company
“Single Asset Management Contract”	the single asset management contract dated 8 July 2021 entered into between Lianhua Huashang, Shanghai Securities and the Custodian Bank in relation to the asset management and investment services provided by Shanghai Securities to the Group
“SSE”	the Shanghai Stock Exchange
“State Council”	the State Council of the PRC
“ST stocks”	special treatment stocks and means special treatment for companies with financial problems (consecutive 2 fiscal years loss or audited net assets per share less than par value in the most recent fiscal year)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supervisor(s)”	the supervisor(s) of the Company
“Supplemental Agreement”	the supplemental agreement to the Single Asset Management Contract dated 27 September 2023 entered into between Lianhua Huashang, Shanghai Securities and the Custodian Bank
“SZSE”	the Shenzhen Stock Exchange
“Unlisted Foreign Share(s)”	the unlisted foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“%”	per cent

The English names of Chinese entities marked with “” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

LETTER FROM THE BOARD



(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00980)

Executive Director:

Mr. Chong Xiao-bing

Non-executive Directors:

Mr. Pu Shao-hua (*Chairman*)

Mr. Shi Xiao-long (*Vice Chairman*)

Ms. Hu Xiao

Ms. Zhang Shen-yu

Mr. Dong Xiao-chun

Mr. Wong Tak Hung

Independent Non-executive Directors:

Mr. Xia Da-wei

Mr. Lee Kwok Ming, Don

Mr. Chen Wei

Mr. Zhao Xin-sheng

Registered Office:

Room 713, 7th Floor

No. 1258 Zhen Guang Lu

Shanghai

The PRC

*Principal Place of Business
in Hong Kong:*

16th Floor, Methodist Building

36 Hennessy Road

Wanchai

Hong Kong

6 November 2023

To the Shareholders

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTIONS**
**(2) VERY SUBSTANTIAL ACQUISITION,
CONNECTED TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS**
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING
**(5) NOTICE OF DOMESTIC SHARES AND
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AND
(6) NOTICE OF H SHARES CLASS MEETING

I. INTRODUCTION

Reference is made to the announcements of the Company dated 27 September 2023 and 28 September 2023 in relation to, among others, the Sales Agency Framework Agreement, the Supplemental Agreement and the proposed amendments to Articles of Association.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with (i) further details of the continuing connected transactions in relation to the Sales Agency Framework Agreement; (ii) further details of the very substantial acquisition, connected transaction and continuing connected transactions in relation to the Supplemental Agreement; (iii) further details of the proposed amendments to the Articles of Association; (iv) the letter from the Independent Board Committee (v) the letter from the Independent Financial Adviser; (vi) the notice of EGM; (vii) the notice of Domestic Shares and Unlisted Foreign Shares Class Meeting; (viii) the notice of H Shares Class Meeting; and (ix) other information as required under the Listing Rules.

II. CONTINUING CONNECTED TRANSACTIONS

1. Background

Reference is made to the announcement of the Company dated 30 September 2022 and the circular of the Company dated 16 November 2022 in relation to the Existing Sales Agency Framework Agreement. As the term of the Existing Sales Agency Framework Agreement will expire on 31 December 2023, the Board announced that on 27 September 2023, the Company entered into the Sales Agency Framework Agreement with Bailian Omni-channel, pursuant to which, Bailian Omni-channel agreed to sell the Goods on behalf of the Group through its e-commerce platform for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

2. Sales Agency Framework Agreement

The principal terms of the Sales Agency Framework Agreement are set out as follows:

Date

27 September 2023

Parties

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

Term

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

Sales Agency

Pursuant to the Sales Agency Framework Agreement, Bailian Omni-channel agreed to sell the Goods on behalf of the Group through its e-commerce platform.

LETTER FROM THE BOARD

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 (whichever is lower). 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;
- (2) in respect of Goods sold by third-party platforms through the main site of e-commerce platform of Bailian Omni-channel and/or its subsidiaries, the Company will pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold (together with the platform usage fee and payment handling fee described in paragraph (1) above, the “**Bailian Omni-channel Platform Fees**”); and
- (3) the third party platform usage fee paid by Bailian Omni-channel on behalf of the Group at actual cost (the “**Third Party Expenses**”).

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.

LETTER FROM THE BOARD

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, and the Goods sold by third-party platforms through the main site of Bailian Omni-channel's e-commerce platforms, the Company agrees to pay Bailian Omni-channel the Bailian Omni-channel Platform Fees.

In respect of the third-party platforms usage fee paid by Bailian Omni-Channel on behalf of the Company at actual cost, the Company agrees to pay Bailian Omni-channel the Third Party Expenses.

- (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.

LETTER FROM THE BOARD

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 shall pay to the Company upon the date falling six days after the relevant transaction date, in accordance with the terms of the relevant individual sales agency contracts based on arm's length negotiation between the parties on normal commercial terms with reference to the market practice, the amount 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 deduction of the fees payable by the Company. The fees payable by the Company to Bailian Omni-channel comprise (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 on a monthly basis in accordance with the terms of the relevant individual sales agency contracts based on arm's length negotiation between the parties on normal commercial terms with reference to the market practice, 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, on a monthly basis in accordance with the terms of the individual sales agency contact.

LETTER FROM THE BOARD

Historical Amounts

The historical transactions amounts comprising the Bailian Omni-channel Platform Fees and the Third Party Expenses for the sales agency services provided by Bailian Omni-channel and/or its subsidiaries for the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 and eight months ended 31 August 2023 are as follows:

For the Year/Period ended	Transaction Amounts <i>(RMB thousand)</i>	Platform Usage Fees <i>(RMB thousand)</i>
31 December 2020	600,780.0	27,358.0
31 December 2021	708,499.8	33,365.8
31 December 2022	532,131.0	45,523.0
31 August 2023	598,188.1	30,901.7

Proposed Annual Caps and Basis for 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 three financial years ending 31 December 2026 under the Sales Agency Framework Agreement are set out as follows:

For the Year ended 31 December	Maximum Transaction Amounts <i>(RMB thousand)</i>
2024	1,400,000
2025	1,500,000
2026	1,600,000

LETTER FROM THE BOARD

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. Customers have gradually shifted from offline to online purchases these years due to the convenience offered by e-commerce platforms, and the popularity of mobile applications and WeChat mini-programs. In recent years, the Group has been actively expanding its online channels through e-commerce technology, striving to accelerate the integration of its online and offline businesses, and focusing on the development of the “Delivery to Home” business promoted on the ecommerce platforms, which focuses on fulfilling the actual needs of customers’ daily life. Therefore, the Company considers that there is relatively high potential in such market and such market has huge attractions to customers;
2. considering the fact that the existing transactions amounts between the Group and Bailian Omni-channel have shown a continuous growth trend since 2019, that (i) the agency sales of the Group in the amount of RMB708.5 million for the year ended 31 December 2021, representing a noticeable increase by approximately RMB107.7 million or approximately 17.9% as compared to the year ended 31 December 2020; (ii) the agency sales decreased from approximately RMB708.5 million for the year 2021 to approximately RMB532.1 million for the year ended 31 December 2022 due to the pandemic precautionary measures; and (iii) however, based on the agency sales for the eight months ended 31 August 2023, it is estimated that the agency sales for the year is expected to be increased to approximately RMB897.3 million, representing an increase of approximately 68.6% as compared to the previous year, and with the gradual recovery of the PRC economy 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, the continuous improvements in the services provided and the fact that the Group also actively and effectively carried out activities to expand membership and accelerated the connection with physical stores, the registered members of Bailian Omni-channel have recorded considerable growth at compound annual growth rate of approximately more than 10% since 2019;

LETTER FROM THE BOARD

3. in the past 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. Bailian Omni-channel has already fully covered 100% of the Group's business in Anhui Province and Jiangsu Province. As the platform coverage of Bailian Omni-channel continues to grow, 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;
4. The sales of Goods conducted through e-commerce platforms mainly target for customers in the vicinity of the Group's hypermarkets, supermarkets and convenience stores operate, and taking into account of (i) the Group recorded a net increase of 50 stores for the eight months ended 31 August 2023; and (ii) the development and expansion plans of the Group in 2024 regarding the opening of new stores at an annual growth rate of approximately 3.5%, it is expected that the opening of the outlets and expansion of sales network of the Group may further drive the online sales of the Group through e-commerce platforms; and
5. the e-commerce businesses of Bailian Omni-channel and/or its subsidiaries have been developed and continuously perfected in the past 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 three financial years ending 31 December 2026 under the Sales Agency Framework Agreement is RMB95 million, RMB107 million and RMB120 million respectively. Amongst which, Bailian Omni-channel Platform Fees shall not exceed RMB31 million, RMB32 million and RMB33 million respectively.

Such annual caps are 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.

LETTER FROM THE BOARD

The rate 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.

LETTER FROM THE BOARD

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. The platform usage fee rates were determined after arm's length negotiation between the Company and Bailian Omni-channel with reference to the scope of services to be provided by Bailian Omni-channel, the market rates and the platform maintenance costs of Bailian Omni-channel. 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. The platform usage fees (including the delivery fees of the Goods) charged by the third-party platforms such as Ele.me (餓了麼), Meituan Waimai (美團外賣) and JD Daojia (京東到家) consist of a fixed amount per order and a certain ratio of the order amount. According to the historical transactions of the Company, the average platform usage fee charged by the third-party platforms is within the range of 6% to 7.5% of the total transaction amounts, and the platform usage fee charged by Bailian Omni-channel is 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 on a cost-incurred basis and shall not exceed 0.5% of the total transaction amount of Goods sold. Therefore, the actual ratio of fees charged by Bailian Omni-channel (including platform usage fee and payment handling fee) will be equivalent to or less than 4.5% of the total transaction amount of Goods sold.

LETTER FROM THE BOARD

Bailian Omni-Channel, as a self-owned platform of Bailian Group, is not only an online e-commerce platform but also a fulfillment intermediary between the third-party platforms and the Group, as well as providing other customized services to the Group. 1% of total transaction amount of Goods sold in respect of Goods sold by the Group on independent third-party platforms which processed through Bailian Omni-channel will be paid to Bailian Omni-channel as platform usage fee, which is after taking into account that: (i) Bailian Omni-channel enables the Group to integrate order and delivery information of multiple platforms which reduces the cost of use and management cost due to the coexistence of different systems from different platforms at the same time whereas improves the accuracy of the inventory management as well as the delivery efficiency; (ii) through the centralisation of data processing through Bailian Omni-channel, data protection on customer and other business information of the Group can be enhanced; and (iii) based on the platform maintenance costs (being mainly the staff cost and depreciation expenses) of Bailian Omni-channel, the operating costs that the Group may incur for operating its own online platform would be substantially higher than the annual platform usage fee being paid to Bailian Omni-channel. Hence, after taking into account the above-mentioned factors, the Group can further effectively save investment and operating costs on its e-commerce business through the services provided by Bailian Omni-channel.

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.

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3. Each of the proposed annual caps in respect of the Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group for the three years ending 31 December 2026 is RMB1.4 billion, RMB1.5 billion and RMB1.6 billion, respectively.

In view of the above, the Directors (including the independent non-executive Directors, whose opinion on the matters is set out in this 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, including 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 and the platform usage fee 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 on a cost-incurred basis, which 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 are fair and reasonable.

3. 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.

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In view of the above, the Directors (including the independent non-executive Directors, whose opinion on the matters is set out in this 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 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 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;

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- (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.

4. 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.

5. Listing Rules Implications

As at the Latest Practicable Date, Bailian Group is a substantial Shareholder and Bailian Omni-channel is a subsidiary of Bailian Group. As such, Bailian Group and Bailian Omni-channel are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Sales Agency Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios 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.

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III. VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

1. Background

Reference is made to the announcement of the Company dated 23 April 2021 and the circular of the Company dated 27 May 2021 in relation to the Investment and Wealth Management Cooperation Framework Agreement entered into between the Company and Shanghai Securities, pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, for a term commencing from 23 April 2021 to 31 December 2023 (both days inclusive). Pursuant to the terms of the Investment and Wealth Management Cooperation Framework Agreement, Lianhua Huashang, a subsidiary of the Company, entered into the Single Asset Management Contract dated 8 July 2021 with Shanghai Securities and the Custodian Bank in relation to the setting up of the Scheme and the investment and management of Entrusted Assets by Shanghai Securities for the benefit of Lianhua Huashang.

As the Single Asset Management Contract is expiring on 31 December 2023, Lianhua Huashang, entered into the Supplemental Agreement with Shanghai Securities and the Custodian Bank, on 27 September 2023, to renew the Single Asset Management Contract in relation to the provision of the asset management and investment services for the Entrusted Assets by Shanghai Securities and the Custodian Bank and make certain amendments to the Single Asset Management Contract, for an extended term of 3 years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive), pursuant to which, Shanghai Securities will invest and manage the Entrusted Assets that entrusted to it by Lianhua Huashang, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines provided under the Single Asset Management Contract (as supplemented). As at the Latest Practicable Date, the balance of net assets of the Scheme in the escrow account maintained by the Custodian Bank is RMB951.674276 million. Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, which shall be paid in full by no later than 29 February 2024.

2. Supplemental Agreement

The principal terms of the Supplemental Agreement are set out as follows:

- Date: 27 September 2023
- Parties: (1) Lianhua Huashang (as Entrustor);
- (2) Shanghai Securities (as Manager); and
- (3) The Custodian Bank (as custodian)

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- Term: The Supplemental Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).
- Entrusted Assets: Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, such increased amount (being the difference between the increased total amount of Entrusted Assets and the net assets of the Scheme as at 1 January 2024, and such increased amount payable by Lianhua Huashang shall be up to RMB398.325724 million (assuming no additional amount paid between the Latest Practicable Date and up to 31 December 2023) based on the net assets of the Scheme in the escrow account as at the Latest Practicable Date) shall be paid in full by no later than 29 February 2024. As at the Latest Practicable Date, the balance of net assets of the Scheme in the escrow account was RMB951.674276 million, and the principal amount of the Entrusted Assets placed in the escrow account was RMB912 million.

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Subject to the terms and conditions of the Single Asset Management Contract (as supplemented), based on the market conditions, Lianhua Huashang shall have the right to withdraw the Entrusted Assets by serving written redemption notice upon Shanghai Securities copying the Custodian Bank at least three business days before the application date of the withdrawal. Shanghai Securities shall liquidate the relevant investment product upon receipt of the written redemption notice and transfer the proceeds to the escrow account for withdrawal by Lianhua Huashang. Shanghai Securities shall transfer the withdrawal amount as requested by Lianhua Huashang from the escrow account to the account designated by Lianhua Huashang within five working days after receipt of the written redemption notice, provided that, the total amount of Entrusted Assets after withdrawal shall not be less than RMB10 million. Shanghai Securities and the Custodian Bank would not be liable for the loss of asset realization resulting from the late notice by Lianhua Huashang. During the extended term of the Single Asset Management Contract, in the event of the total amount of Entrusted Assets as a result of withdrawal is less than RMB1,350 million, Lianhua Huashang may make addition to the Entrusted Assets, provided that, the total amount of Entrusted Assets after addition made thereto shall not exceed RMB1,350 million (being the maximum cash outflow of Lianhua Huashang that deposited into the escrow account as the assets entrusted under the Scheme in accordance with the terms of the Single Asset Management Contract (as supplemented)).

Asset Management and
Investment Services:

Pursuant to the terms of the Single Asset Management Contract (as supplemented), Shanghai Securities shall invest and manage the Entrusted Assets, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and the investment scope and investment guidelines as set forth below:

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The Scheme is a fund-of-funds asset management scheme that aims to primarily invest more than 80% of its total assets in asset management products issued by institutions subject to the supervision of the financial regulatory authorities under the State Council including, but not limited to, publicly offered securities investment funds, asset management products issued by fund management companies and their subsidiaries, asset management products issued by futures companies and their subsidiaries, asset management plans of securities companies and their subsidiaries, asset management plans issued by insurance companies and their subsidiaries, asset management products issued by commercial banks and their asset management subsidiaries, trust plans, and asset management products issued by private fund managers registered with the AMAC.

In particular, comprises:

- (1) Fixed-income assets: including, but not limited to, cash, bank deposits, money market instruments, money market funds, bond reserve repurchase, inter-exchange and inter-bank listed and traded treasury bonds, local government bonds, corporate bonds (企業債), corporate bonds (公司債), various types of financial bonds (including sub-ordinated bonds and hybrid capital bonds), central bank notes, inter-bank certificates of deposit, convertible bonds (including segregable trading bonds), exchangeable bonds, various types of debt financing instruments approved and registered for issuance by NAFMII (e.g., super-short-term commercial paper (SCP), short-term commercial paper (CP), mid-term notes (MTN), pooled notes, pooled bonds, asset-backed notes (ABN) and private placement notes (PPN)), private corporate bonds, asset-backed securities (ABS), bond funds, fixed-income asset management plans issued under the supervision of the financial regulatory authorities under the State Council, and other fixed-income assets;

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- (2) Equity assets: including, but not limited to, A-share stocks (including primary market subscription and secondary market purchase and sale) traded in the market of SSE and SZSE according to PRC laws and regulations and publicly issued and listed (exclusive of ST stocks), equity funds, hybrid funds (including ETFs and LOFs), equity asset management products issued under the supervision of the financial regulatory authorities under the State Council;
- (3) Hybrid asset management products issued under the supervision of the financial regulatory authorities under the State Council;
- (4) Futures and derivatives asset management products (excluding investment in over-the-counter derivatives) that are subject to regulation and issuance by the financial regulatory authorities under the State Council;
and

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(5) Positive bond repurchase.

The ratio of the investment portfolio under the Scheme shall strictly comply with relevant laws and regulations, and shall satisfy the following requirements: (1) fixed-income assets shall account for 0% to 80% (exclusive) of the total assets of the Scheme, of which (a) the proportion of investment in other than currency fund, bond funds or fixed-income asset management plans subject to the supervision and issuance of the financial regulatory authorities under the State Council shall account for 0% to 20% (exclusive) of the total assets of the Scheme, and (b) the balance of the financed funds raised from positive bond repurchase shall not exceed 100% of the net asset value of the Scheme on the previous day, and the balance of the financed funds used in reverse bond repurchase shall not exceed 100% of the net asset value of the Scheme on the previous day, unless otherwise stipulated by the relevant laws, regulations and policies; (2) equity assets shall account for 0% to 50% (exclusive) of the total assets of the Scheme; (3) the value of contracts for positions in futures and derivatives shall account for not less than 20% of the total assets of the Scheme, and the interest in futures and derivatives accounts shall account for not less than 50% (inclusive) of the total assets of the Scheme; (4) the Manager shall carry out penetration calculations on the investment ratios of the above types of assets, and the source of data for the penetration calculations shall be based on the latest valuation data provided by the asset management products in which the investments are made.

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The risk level of the Scheme under the Single Asset Management Contract (as supplemented) is categorised as R3 (medium risk), where the investment guidelines require up to 80% of the total assets of the relevant Schemes shall be mainly invested in fixed-income assets and the remaining funds shall be invested in low-risk quantitative arbitrage strategies, seeking stable returns with cost-effectiveness while keeping volatility and drawdowns to a relatively low level, and is suitable for professional investors and qualified investors with a rating at C3 (conservative) and above.

Asset Custody Services:

The Custodian Bank shall open an escrow account in the name of the Scheme for the Entrusted Assets and a securities account or other specific account for specific use by the Scheme. Lianhua Huashang will deposit the Entrusted Assets in the escrow account, and the Custodian Bank shall provide asset custody services to Lianhua Huashang and Shanghai Securities in respect of the Entrusted Assets, perform the obligation of supervising the investment and arrange payment in accordance with the terms and conditions under the Single Asset Management Contract (as supplemented).

Distribution of Returns:

Profit of the Scheme refers to the balance of interest income, investment income, gain in change in fair value, and other income net of related expenses. Realized profit of the Scheme refers to the balance of profit of the Scheme net of gain in change in fair value. Distributable profit of the Scheme refers to the lower of the undistributed profit of the Scheme and the realized profit of the undistributed profit of the Scheme as of the benchmark date for distribution of returns. The distribution of returns of the Scheme shall adhere to the following principles:

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- (1) during the term of the Scheme, the distribution of returns shall be not more than twice a year, there is no fixed date for the distribution of returns, and distribution of returns shall be conducted by way of cash;
- (2) when Lianhua Huashang withdraws the Entrusted Assets, the Manager shall determine the distribution of returns date and amount based on the income situation of the Entrusted Assets, and inform Lianhua Huashang;
- (3) the distribution of returns shall be denominated in RMB, and rounded to two decimal places. Losses due to rounding shall be borne by the Entrusted Assets, as well as the generated income; and
- (4) compliance with any other provisions as regulated by laws, regulations, or regulatory authorities.

The plan of the distribution of returns of the Scheme shall be formulated by the Manager, reviewed by the Custodian Bank, and the Manager shall inform Lianhua Huashang for confirmation.

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Early warning and stop-loss mechanism:

During the term of the Scheme, including after the payment of increased Entrusted Assets and throughout the term of the extended period of the Single Asset Management Contract (as supplemented), the early warning line of the Scheme is unit net value of the Entrusted Assets of RMB0.95 and the stop-loss line of the Scheme is unit net value of the Entrusted Assets of RMB0.90. The early warning line and the stop-loss line were determined with reference to the investment scope, investment ratio, investment guidelines and the Entrustor's risk appetite, and the specific figures were determined through arm's-length negotiation between the parties based on the industry and market practice, where, with reference to the comparable quotations from three independent financial institutions in the PRC obtained by, and to the best knowledge, information and belief of, Lianhua Huashang, the market prevailing early warning line is generally in a range of RMB0.8 to RMB0.95 and the stop-loss line is generally in a range of RMB0.7 to RMB0.9, depending on the risk appetite of the investor as well as the risk attributes of investment products, where risk-taking investors are willing to invest in high-risk and high-yield products with corresponding lower early warning and stop-loss lines, while risk-averse investors tend to invest in low-risk and relatively low-yield products with corresponding higher early warning and stop-loss lines.

If the unit net value of the Entrusted Assets at the end of the trading day falls below the warning line, Shanghai Securities will inform Lianhua Huashang relevant circumstances within 24 hours, and submit a report in written to Lianhua Huashang within three business days; and in the event of the unit net value of the Entrusted Assets at the end of the trading day falls below the stop-loss line, Shanghai Securities shall close the position, after which all the Entrusted Assets shall be returned to the escrow account and the parties will further negotiate to terminate the Scheme. The initial unit net value of the Entrusted Assets is RMB1.00, and as at the Latest Practicable Date, the unit net value of the Entrusted Assets is RMB1.0566. For the avoidance of doubt, the early warning line and stop-loss line shall not be affected or changed in the event of the unit net value of the Entrusted Assets deviated from RMB1.00.

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Charges under the Scheme: During the term of the Supplemental Agreement, Lianhua Huashang shall pay:

To Shanghai Securities

- (1) the management fee:
- at 0.3% per annum based on the net asset value of the Scheme on the previous calendar day, to be accrued on a daily basis and automatically charged within five business days of the beginning of every month (in case of legal holidays, rest days, etc., the payment date will be postponed by next day; and
- (2) the performance fee:
- to be accrued (i) on the date of application for withdrawal of the Entrusted Assets or upon expiry of liquidation of the Scheme, or (ii) on the income distribution date (collectively, the “**performance fee accrual date(s)**”). Under the latter circumstance, the performance fee shall not be accrued more frequently than once every 12 months;
 - Shanghai Securities will differentiate between each portion of investment made by Lianhua Huashang based on the time of participation, and calculate the actual annualised rate of return (*Note*) and performance fee for each portion of investment separately;

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calculated based on the realised gains on different portions of investment (i.e. various types of gains obtained from the investment operation of Entrusted Assets, including but not limited to investment bonus, dividends, bond interest, the price difference between buying and selling securities, bank deposit interest and other income) of the Scheme during the performance fee accrual period (i.e. from the commencement of the Scheme to the first performance fee accrual date or the period from each performance fee accrual date to the next performance fee accrual date): if the actual annualised rate of return (*Note*) exceeds 4.25%, which is the benchmark annualised rate of return, subject to the terms of the Supplemental Agreement, the adjustment may be made by the Manager based on PBOC's three-year fixed deposit benchmark rate), then 20% of the excess portion shall be payable by Lianhua Huashang to Shanghai Securities as performance fee for such performance fee accrual period; if the annualised rate of return is lower than or equal to the benchmark annualised rate of return, no performance fee for such performance fee accrual period is required to be paid by Lianhua Huashang.

Note:

*Actual annualised rate of return = [(unit net value of Entrusted Assets at the end of the period – unit net value of Entrusted Assets at the beginning of the period)/unit net value of the Entrusted Assets at the beginning of the period] * 100% * (365/days of operations from the beginning (inclusive) to the end of the period (exclusive)). Among them, the unit net value of Entrusted Assets = (total value of Entrusted Assets – liabilities of Entrusted Assets)/total units of Entrusted Assets. The total value of Entrusted Assets refers to the total value of various types of negotiable securities, principal and interest of bank deposits, securities investment fund shares and other assets under the Scheme.*

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To the Custodian Bank

The custodial fee: at 0.015% per annum based on the net asset value of the Scheme on the previous calendar day, to be accrued on a daily basis and automatically charged within five business days of the beginning of every month (in case of legal holidays, rest days, etc., the payment date will be postponed by next day and the termination date of the Supplemental Agreement (or the date for early termination)).

Information disclosure and reporting:

Shanghai Securities shall disclose the net value of Entrusted Assets under the Scheme to Lianhua Huashang at least once every trading day; circulate quarterly reports within ten business days after the end of each quarter and annual reports within two months after the end of each year on management and custody to Lianhua Huashang, disclosing the work report of the Manager and the Custodian Bank, explaining the investment performance, investment portfolio, leverage ratio (if any), financial report, the basis, method and payment of the management fee, custodial fee and performance fee (if any), changes of investment managers, material events relating to the interests of Lianhua Huashang, such as substantial related transactions of the Entrusted Assets during the reporting period, and other matters as required by CSRC.

If an event occurs that materially affects the interests of Lianhua Huashang or as agreed in the Single Asset Management Contract (as supplemented), Shanghai Securities shall disclose it to Lianhua Huashang within five business days from the date of the occurrence of the relevant event.

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Shanghai Securities and the Custodian Bank shall fulfill their reporting obligations in accordance with the laws and regulations and the requirements of the regulator, setting out the types, contents, time and means of reporting by the asset manager and asset custodian to the regulator and other relevant matters.

Lianhua Huashang may inquire Shanghai Securities about the investment operation of the Entrusted Assets under the Scheme and the Custodian Bank about the custody of the Entrusted Assets under the Scheme. Lianhua Huashang is able to inspect or copy the disclosed information in accordance with the time and manner as agreed in the Supplemental Agreement.

Effectiveness: The Supplemental Agreement will be established once it is signed by Lianhua Huashang, Shanghai Securities and the Custodian Bank and the official seal/special seal for contractual purpose is affixed.

Termination: The Scheme will be terminated in the case of the occurrence of the followings. The Supplemental Agreement will be terminated once the Scheme is terminated:

- (1) the Scheme expires and is not renewed;
- (2) it is terminated by Lianhua Huashang, Shanghai Securities and the Custodian Bank upon negotiation;
- (3) Lianhua Huashang is dissolved, cancelled, declared to go bankruptcy in accordance with the law;
- (4) Shanghai Securities is disqualified from asset management business in accordance with the law, or dissolved, cancelled, declared to go bankruptcy in accordance with the law without new manager succeeding within six months;

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- (5) the Custodian Bank is disqualified from fund custody in accordance with the law, or dissolved, cancelled, declared to go bankruptcy in accordance with the law without new custodian succeeding within six months;
- (6) failure to complete the filing or non-filing in the AMAC; or
- (7) other terminations required by laws, administrative regulations, the Supplemental Agreement and the CSRC.

Liabilities for default:

Except for special circumstances such as force majeure, if Shanghai Securities or the Custodian Bank violates the provisions of laws, administrative regulations or the Supplemental Agreement and cause damage to the Entrusted Assets or Lianhua Huashang in the process of performing their respective duties, they should be respectively liable for their own actions and for direct losses according to law.

If Shanghai Securities violates the relevant provisions of laws and administrative regulations, and is legally revoked by the CSRC for the securities asset management business license, ordered to suspend business for rectification, or unable to perform its duties due to business suspension, dissolution, revocation, bankruptcy, etc., it shall properly handle relevant matters in accordance with relevant regulatory requirements.

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Historical Amounts

The management fees paid by Lianhua Huashang to Shanghai Securities for the two years ended 31 December 2021 and 31 December 2022 and eight months ended 31 August 2023 are as follows:

For the Year/Period ended	Amount of Management Fees Paid (approximately RMB)
31 December 2021	400,122
31 December 2022	346,679
31 August 2023	254,952

During the term of the Single Asset Management Contract and up to the Latest Practicable Date, there was no performance fee incurred under the Single Asset Management Contract.

The total realised profit (also being the net profit) from the transactions under the Single Asset Management Contract for the year ended 31 December 2021, 31 December 2022 and the period ended 31 August 2023 were RMB14.64 million, RMB3.53 million and RMB17.61 million, respectively.

Basis for Pricing and the Proposed Annual Caps

Basis for Increase in the Principal Amount of Entrusted Assets

As at the Latest Practicable Date, the balance of net assets of the Scheme of Lianhua Huashang under the Single Asset Management Contract was RMB951.674276 million. As at the Latest Practicable Date, the net unit value of assets under the Scheme was RMB1.0566, representing an annualised return rate of approximately 2.5041%. Lianhua Huashang has paid a custody fee of approximately RMB271,610 to the Custodian Bank at the annual rate of 0.015%. The increased amount of Entrusted Assets to be paid by Lianhua Huashang for the unit interest in the Scheme shall be calculated based on the net unit value of the assets under the Scheme at the time of payment of such increased amount is made. In connection with the proposed increase in the total amount of Entrusted Assets, the Company and Lianhua Huashang have considered the following factors:

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- (a). the past daily maximum investment balance during the term of the Single Asset Management Contract and the terms of historical transactions thereunder including, among other things, the transaction amounts, risk level and return generated for each type of financial products under the Single Asset Management Contract entered into between Lianhua Huashang.
- (b). with reference to the historical transactions. In 2022, the financial markets experienced several unexpected challenges, resulting in both stocks and bonds taking a hit. The Shanghai and Shenzhen 300 Index, along with mixed-type public mutual funds, saw varying degrees of decline or losses in their average performance. Nevertheless, the collaborative products between Lianhua Huashang and Shanghai Securities managed to achieve positive annualised returns. In addition, considering the recent significant decline in bank deposit interest rates and the fact that the PBOC's latest one-year fixed deposit interest rate benchmark's highest floating standard is lower than the annualised returns achieved by the collaborative products between Lianhua Huashang and Shanghai Securities, and with expectations of further reductions in the one-year fixed deposit interest rate benchmark in the future, therefore, the Group proposed to adjust the capital structure and convert part of the term deposits and idle working capital (if any) of Lianhua Huashang into financial investment so as to realize the maximization of capital interests and returns to Shareholders. As at 30 June 2023, the cash and cash equivalents and the term deposits of the Group amounted to approximately RMB8.16 billion.

Pricing terms of the management fee and performance fee

Prior to entering into the Supplemental Agreement, Lianhua Huashang has reviewed the pricing policy for the Single Asset Management Contract with reference to the actual amount incurred under the Single Asset Management Contract based on the latest market conditions. The Company considers that such pricing policy is concluded after arm's-length negotiation between the parties based on normal commercial terms, and is fair and reasonable.

When concluding the management fee and performance fee payable by Lianhua Huashang to Shanghai Securities under the Single Asset Management Contract (as supplemented), the following factors were taken into account:

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- (a). based on factors including, among others, target return, risk and volatility, the management fee, benchmark annualised rate of return and the accrual ratio of performance fees were determined between Lianhua Huashang and Shanghai Securities through arm's-length negotiation with reference to the terms in respect of asset management and investment services in similar nature and amounts provided by two comparable independent financial institutions;
- (b). the fixed management fee (i.e. 0.3% per annum) charged by Shanghai Securities to Lianhua Huashang is in line with the prevailing market rates for industry peers (which is in a range of 0.3% to 1% in respect of similar fund-of-funds schemes) and is not less favourable than the terms and conditions provided by Shanghai Securities to its independent third party customers for asset management and investment services of similar nature and amount;
- (c). the benchmark annualised rate of return (i.e. 4.25%, set at 150 basis point above the benchmark three-year deposit rate of 2.75% announced by PBOC) for this performance fee to be charged by Shanghai Securities to Lianhua Huashang was determined with reference to the actual annualised rate of return under the Single Asset Management Contract, the current benchmark three-year fixed deposit rate announced by PBOC and the market rate of return of similar single asset management schemes in the market, and in accordance with the risk appetite of Lianhua Huashang and the expected return;
- (d). the accrual ratio of performance fees (i.e. 20%) charged by Shanghai Securities to Lianhua Huashang was determined based on arm's-length negotiation between the parties with reference to the prevailing market accrual ratio of industry peers (in a range of 0% to 60%), of which the prevailing market accrual ratio for similar fund-of-funds schemes, depending on the allocation ratio of the investment portfolio, ranges from 10% to 30% (the higher proportion of the fixed-income products, the higher accrual ratio), taking into account that the fixed-income assets shall account for up to 80% of the total assets of the Scheme, the accrual ratio of performance fees is in line with the prevailing market terms for industry peers and is not less favourable than the terms and conditions provided by Shanghai Securities to its independent third party customers for fund-of-funds schemes with similar allocation ratios of investment portfolio.

LETTER FROM THE BOARD

While concluding the custody fee (i.e. 0.015% annual rate) payable by Lianhua Huashang to the Custodian Bank under the Supplemental Agreement, the Company has taken into account the following factors:

- (a). fixed-rate custodial fee is one of the common quotation methods for the custodial fees of standardized securities companies' asset management products. It is usually linked to the size of the product in that the smaller the product size is, the higher the fixed rate is; and
- (b). the custodial fees charged by the Custodian Bank to Lianhua Huashang are in line with the industry rates that should be charged for asset management and investment services of a similar nature and amount.

Proposed Annual Caps and Basis of Proposed Annual Caps

The annual caps in respect of the management fees and performance fees payable by Lianhua Huashang to Shanghai Securities under the Single Asset Management Contract (as supplemented) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 are set out as follows:

For the year ended 31 December	Amount of Management Fees (RMB '000)	Amount of Performance Fees (RMB '000)
2024	4,200	11,200
2025	4,200	11,200
2026	4,200	11,200

In determining the above annual caps for the management fees and performance fees payable to Shanghai Securities under the Single Asset Management Contract (as supplemented) during the extended term, the Company and Lianhua Huashang have taken into account of (i) the historical transaction amounts, (ii) the increase in the Entrusted Assets and the scale of investment assets (being RMB1,350 million, together with the expected return), the fixed management fee rate (i.e. 0.3%) and the method for calculating the performance fees under the Single Asset Management Contract (as supplemented), (iii) the composition and allocation of assets managed and to be managed by Shanghai Securities, (iv) the historical performance of the Scheme, and (v) the expected annualised return rate and the inherent volatility of the capital market.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the above proposed annual caps in respect of the asset management and investment services transactions contemplated under the Single Asset Management Contract (as supplemented) are fair and reasonable.

3. Reasons For and Benefits of Entering into the Supplemental Agreement

To increase the cash revenue of the Group, Lianhua Huashang intends to enter into the Supplemental Agreement with Shanghai Securities and the Custodian Bank to renew the Single Asset Management Contract to effectively manage existing idle fund through conducting investments under the Scheme without affecting the ordinary operating liquidity.

Considering that the cash and bank balance of the Group has amounted to approximately RMB8.16 billion as at 30 June 2023 and that the interest rate for term deposits in commercial banks is experiencing a downturn as affected by the macro-economy, the Group proposed to adjust the capital structure and convert part of the term deposits and idle working capital (if any) of Lianhua Huashang into financial investment, which will bring higher returns to the Group compared with fixed term deposits in commercial banks in the PRC. In order to realize the maximization of capital interests with controllable risks, the Group has conducted detailed investigation and comparison in the market. Having considered that Shanghai Securities is one of the reputable securities companies in the PRC with abundant investment management experiences, and taking into account of its track record, ranking, asset scale and reputation as well as the risk level of the investment products and entrusted investment services provided by Shanghai Securities, the Directors are of the view that the financial investment cooperation with Shanghai Securities will enable the Group to effectively improve the efficiency of capital use, better operate the self-owned funds, and realize the maximization of capital interests with controllable risks.

In view of the above, the Directors (including the independent non-executive Directors, whose opinion on the matters is set out in this circular by reference to the advice of the Independent Financial Adviser in this regard) are of the view that despite the entering into the Supplemental Agreement is not in the ordinary and usual course of business of the Group, the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

4. Internal Control and Pricing Policy

The Company has adopted the following internal control measures to ensure that the continuing connected transactions are in accordance with the terms of the Supplemental Agreement and in compliance with the Listing Rules:

1. Notwithstanding the sound investment strategy and risk control system of the wealth management products issued, and the asset management and investment services provided, by Shanghai Securities under the Single Asset Management Contract (as supplemented), due to the coexistence of revenue and risks in the wealth management products and no promise of principal guaranteed policy restriction for the products, Lianhua Huashang will strengthen the project management on investment particulars of Shanghai Securities and monitor the net value of the assets under the Scheme on a daily basis and the performance of the Scheme on a regular basis. Accordingly, the Company will ensure the sum of the total amount of Entrusted Assets and the returns accrued thereon in the escrow account maintained by the Custodian Bank shall not exceed RMB1,400 million, and such limit on balance of the escrow account was determined by the Company mainly based on its internal policies for project management on investment and management of idle working capital, with reference to the amount of the Group's cash, cash equivalent and term deposit as at 30 June 2023, in order to ensure the safety of the Group's internal resources as well as the liquidity of cash;
2. Prior to make any withdrawal from the Entrusted Assets under the Scheme (or subsequent addition thereto, if any), Lianhua Huashang shall review and consider the past performance of the Scheme, the rate of return and risk profile of the relevant underlying investment products, as well as the then prevailing market conditions and the assessment of the expected returns, in order to ensure the withdrawal from the Entrusted Assets under Scheme (or subsequent addition thereto, if any), based on the advice from the head of financial department of the Company, shall be carried out in accordance with the terms of the Single Asset Management Agreement (as supplemented) with a view to maximize the interests of the Shareholders;
3. The external auditors of the Company will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. The audit committee of the Company 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;

LETTER FROM THE BOARD

5. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions; and
6. The Company shall disclose the Single Asset Management Contract (as supplemented) and the transactions contemplated thereunder in its annual and interim report in accordance with the relevant requirements of the Listing Rules.

The Directors are of the view that the internal controls have been effectively implemented and proven to be effective such that the terms of the historical transactions under the Investment and Wealth Management Cooperation Framework Agreement are no less favourable than those provided by the independent third parties, and the actual transaction amounts incurred thereunder have not exceeded the annual caps.

5. 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 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.

Information of Shanghai Securities

Shanghai Securities is a subsidiary of Bailian Group, principally engaged in securities business. As at the Latest Practicable Date, Shanghai Securities is held as to 50%, 24.99%, 16.33%, 7.68% and 1% by Bailian Group (a company directly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), Guotai Junan Securities Co., Ltd. (the H shares of which are listed on the Stock Exchange under the stock code 02611 and the A shares of which are listed on the Shanghai Stock Exchange under the stock code 601211), Shanghai Sitico Assets Management Co., Ltd.* (上海上國投資產管理有限公司)(a company indirectly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), Shanghai International Group Co., Ltd.* (上海國際集團有限公司)(a company directly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), and Shanghai Chengtou Group Corporation (上海城投(集團)有限公司)(a company directly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), respectively.

LETTER FROM THE BOARD

Information of the Custodian Bank

The Custodian Bank is a joint stock limited company incorporated in the PRC with limited liability, and is principally engaged in a range of banking services and related financial services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Custodian Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

6. Listing Rules Implications

As the highest applicable percentage ratio in respect of the increase in Entrusted Assets under the Supplemental Agreement is more than 100%, the increase in Entrusted Assets contemplated thereunder constitutes a very substantial acquisition, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Bailian Group is a substantial Shareholder, and Shanghai Securities is a subsidiary of Bailian Group. As such, Shanghai Securities constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, (i) the increase in Entrusted Assets constitutes a connected transaction of the Company, as the applicable percentage ratios in respect thereof are more than 5%, the increase in Entrusted Assets is subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) the transactions in respect of the asset management and investment services contemplated under the Single Asset Management Contract (as supplemented) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, as the highest applicable percentage ratio for the highest proposed annual cap in aggregate under the Single Asset Management Contract (as supplemented) is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Agreement are subject to the reporting, annual review, announcement requirements but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

IV. THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 28 September 2023 in relation to the proposed amendments to the existing Articles of Association.

LETTER FROM THE BOARD

On 14 February 2023, the State Council of the PRC (the “**State Council**”) issued the Decision of the State Council to Repeal Certain Administrative Regulations and Documents (《國務院關於廢止部分行政法規和文件的決定》)(the “**Decision**”), which includes the repeal of the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) issued by the State Council on 4 August 1994. On 17 February 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》)(the “**Trial Measures**”) and relevant guidelines, which includes the repeal of the Notice on the Implementation of the Mandatory Provisions for Companies Listing Overseas (《關於執行〈到境外上市公司章程必備條款〉的通知》). The Decision and the Trial Measures have been effective since 31 March 2023 (the “**PRC Regulation Changes**”). From the effective date of the Decision and the Trial Measures, PRC issuers shall formulate their articles of association with reference to the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》) instead of the Mandatory Provisions for Companies Listing Overseas. Furthermore, domestic Shareholders and unlisted foreign Shareholders and H Shareholders are no longer deemed to be different classes of shareholders, thus the class meeting requirement applicable to domestic Shareholders and unlisted foreign Shareholders and H Shareholders are no longer necessary and removed.

In view of the above PRC Regulation Changes, the Stock Exchange also released a consultation paper “Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers” (the “**Consultation Paper**”) on 24 February 2023, stipulating the consequential Listing Rules Amendments. On 21 July 2023, the Stock Exchange published conclusions to the Consultation Paper. In particular, the Stock Exchange has made consequential amendments to the Listing Rules which have come into effect since 1 August 2023 to, amongst others, reflect the PRC Regulation Changes. Accordingly, the Company is required to amend its existing Articles of Association to comply with the requirements of the Listing Rules and the applicable laws and regulations of the PRC (the “**Proposed Amendments**”). Upon adoption of the Proposed Amendments, the numbers of the articles of the Articles of Association will be accordingly carried forward and the numbers of the articles quoted in the Articles of Association will be adjusted accordingly.

As domestic Shares, unlisted foreign Shares and H Shares are regarded as one class of ordinary shares under PRC law following the PRC Regulation Changes and holders of the domestic Shares, unlisted foreign Shares and H Shares are no longer deemed to be different classes of shareholders, the substantive rights attached to such shares (including rights on voting, dividend and asset distribution upon liquidation) are the same, thus the Proposed Amendments (including the removal of the class meeting requirement from the Articles of Association following the repeal of the Mandatory Provisions for Companies Listing Overseas) will not compromise protection of the H Shareholders and will not have material impact on measures relating to shareholder protection.

LETTER FROM THE BOARD

In view of the above, the Board proposed to amend its existing Articles of Association. The Proposed Amendments are set out in Appendix II to this circular. According to the existing Articles of Association and the relevant laws and regulations, the amendments to the Articles of Association will take effect subject to the approval of the Shareholders by way of a special resolution at each of the general meeting, the H Shareholders' class meeting and the Domestic and Unlisted Foreign Shareholders' class meeting. The Articles of Association are prepared in Chinese with no official English version. Any English translation is for reference only. In the event of any inconsistency, the Chinese version shall prevail.

The Board will put forward special resolutions at each of the EGM, the H Shares Class Meeting and the Domestic Shares and Unlisted Foreign Shares Class Meeting regarding the Proposed Amendments to the Shareholders for their consideration and approval.

V. EGM AND H SHARES CLASS MEETING

The EGM will be convened at 9:30 a.m. on Thursday, 21 December 2023 at the Conference Room, 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the PRC. Notice of the EGM, together with the reply slip and proxy form, are enclosed herein. Shareholders who intend to attend the EGM are requested to deliver the reply slip to the office of the secretary to the Board of the Company at 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the PRC on or before Friday, 1 December 2023. The proxy form should be completed and returned to the relevant addresses listed on the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM should you so wish.

The H Shares Class Meeting will be convened at 11:00 a.m. or immediately after the conclusion of the EGM and Domestic Shares and Unlisted Foreign Shares Class Meeting on Thursday, 21 December 2023 at the Conference Room, 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the PRC. Notice of the H Shares Class Meeting, together with the reply slip and proxy form, are enclosed herein. H Shareholders who intend to attend the H Shares Class Meeting are requested to deliver the reply slip to the office of the secretary to the Board of the Company at 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the PRC on or before Friday, 1 December 2023. The proxy form should be completed and returned to the relevant addresses listed on the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending and voting in person at the H Shares Class Meeting should you so wish.

For the purpose of determining the H Shareholders entitled to attend and vote at the EGM and the H Shares Class Meeting, the share register of H Shares will be closed from 21 November 2023 to 21 December 2023 (both days inclusive), during which no transfer of H Shares will be registered. H Shareholders whose names appear on the H Shares share register of the Company on 21 December 2023 shall be entitled to attend and vote at the EGM and the H Shares Class Meeting. In order to be eligible to attend and vote at the EGM and H Shares Class Meeting, holders of H Shares shall lodge share transfer documents and the relevant share certificates with the H Shares share registrar no later than 4:30 p.m. on 20 November 2023.

LETTER FROM THE BOARD

VI. DOMESTIC SHARES AND UNLISTED FOREIGN SHARES CLASS MEETING

The Domestic Shares and Unlisted Foreign Shares Class Meeting will be convened at 10:30 a.m. or immediately after the conclusion of the EGM on Thursday, 21 December 2023 at the Conference Room, 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the PRC. Notice of the Domestic Shares and Unlisted Foreign Shares Class Meeting, together with the reply slip and proxy form, are enclosed herein. Domestic Shareholders and Unlisted Foreign Shareholders who intend to attend the Domestic Shares and Unlisted Foreign Shares Class Meeting are requested to deliver the reply slip to the office of the secretary to the Board of the Company at 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the PRC on or before Friday, 1 December 2023. The proxy form should be completed and returned to the relevant addresses listed on the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending and voting in person at the Domestic Shares and Unlisted Foreign Shares Class Meeting should you so wish.

VII. VOTING AT THE EGM AND BOARD MEETINGS

As at the Latest Practicable Date, 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. Shanghai Securities, being a party to the Supplemental Agreement and a subsidiary of Bailian Group, has material interests in the transactions contemplated thereunder. 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 Sales Agency Framework Agreement (including the proposed annual caps) and the Supplemental Agreement.

Save as disclosed above, no other Shareholders would be required to abstain from voting to approve the resolution in relation to the Sales Agency Framework Agreement (including the proposed annual caps), the Supplemental Agreement and the proposed amendments to the Articles of Association at the EGM.

The Board has approved the entering into of the Sales Agency Framework Agreement (including the proposed annual caps) and the Supplemental Agreement, 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 resolution of the Board to approve the entering into of the Sales Agency Framework Agreement (including the proposed annual caps) and the Supplemental Agreement. Save as disclosed above, none of the other Directors was required to abstain from voting to approve the resolutions in relation to the Sales Agency Framework Agreement, the Supplemental Agreement and the proposed amendments to the Articles of Association.

LETTER FROM THE BOARD

VIII. RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 46 to 47 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 48 to 90 of this circular in respect of the terms of the Sales Agency Framework Agreement and Supplemental Agreement.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that (i) the terms of the Sales Agency Framework Agreement, which has been reached after arm's length negotiations between the parties, are on normal commercial terms in the ordinary and usual course of business of the Company, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole; and (ii) although the entering into the Supplemental Agreement is not in the ordinary and usual course of business of the Group, the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed for approving the Sales Agency Framework Agreement (including the proposed annual cap) and Supplemental Agreement.

The Board (including the members of the Independent Board Committee) considers that (i) the terms of the Sales Agency Framework Agreement, which has been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and are in the interest of the Shareholders and the Company as a whole; and (ii) although the entering into the Supplemental Agreement is not in the ordinary and usual course of business of the Group, the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of all the resolutions at the EGM.

The Directors believe that the resolutions set out in the notices of the EGM, the Domestic and Unlisted Foreign Shares Class Meeting and H Shares Class Meeting are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the EGM, the Domestic and Unlisted Foreign Shares Class Meeting and H Shares Class Meeting.

IX. ADDITIONAL INFORMATION

Your attention is drawn to the additional information is also set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Lianhua Supermarket Holdings Co., Ltd.
Pu Shao-hua
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Stock Code: 00980)

6 November 2023

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION, AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 6 November 2023 issued by the Company of which this letter forms part of (the “**Circular**”). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Sales Agency Framework Agreement (including the proposed annual cap) and the Supplemental Agreement, details of which are set out in the section headed “Letter from the Board” contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 6 to 45 of the Circular and the letter of advice from Lego, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sales Agency Framework Agreement (including the proposed annual cap) and the Supplemental Agreement, set out on pages 48 to 90 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Lego as stated in its letter of advice, the terms and conditions of the Sales Agency Framework Agreement and the Supplemental Agreement, and the business and financial effects of the Sales Agency Framework Agreement and the Supplemental Agreement on the Company, we consider that, (i) although the entering into of the Supplemental Agreement is not in the ordinary and usual course of business of the Group, the terms of the Supplemental Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole, (ii) the entering into of the Sales Agency Framework Agreement is conducted in the ordinary and usual course of business of the Group, the terms of the Sales Agency Framework Agreement are on normal commercial terms, and together with the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Sales Agency Framework Agreement (including the proposed annual cap) and the Supplemental Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

Lianhua Supermarket Holdings Co., Ltd.

Mr. Xia Da-wei

Mr. Lee Kwok Ming, Don

Mr. Chen Wei

Mr. Zhao Xin-sheng

Independent non-executive Directors

LETTER FROM LEGO

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which have been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the (i) Supplemental Agreement and the transactions contemplated thereunder; and (ii) Sales Agency Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).



6 November 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS AND VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION, AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the (i) Supplemental Agreement and the transactions contemplated thereunder; and (ii) Sales Agency Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 6 November 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Supplemental Agreement

As disclosed in the Letter from the Board, Lianhua Huashang entered into the Supplemental Agreement with Shanghai Securities and the Custodian Bank on 27 September 2023 to renew the Single Asset Management Contract in relation to the provision of the asset management and investment services for the Entrusted Assets by Shanghai Securities and the Custodian Bank and make certain amendments to the Single Asset Management Contract, for an extended term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive).

LETTER FROM LEGO

As at the Latest Practicable Date, Bailian Group is a substantial Shareholder, and Shanghai Securities is a subsidiary of Bailian Group. As such, Shanghai Securities constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, (i) the increase in Entrusted Assets constitutes a connected transaction of the Company. As the applicable percentage ratios in respect thereof are more than 5%, the increase in Entrusted Assets is subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) the transactions in respect of the asset management and investment services contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the highest proposed annual cap in aggregate under the Single Asset Management Contract (as supplemented) is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Agreement are subject to the reporting, annual review, announcement but exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Sales Agency Framework Agreement

As disclosed in the Letter from the Board, the Company entered into the Sales Agency Framework Agreement with Bailian Omni-channel on 27 September 2023 to renew and continue the transactions under the Existing Sales Agency Framework Agreement, pursuant to which, Bailian Omni-channel agreed to sell the Goods on behalf of the Group through its e-commerce platform for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

As at the Latest Practicable Date, Bailian Group is a substantial Shareholder, and Bailian Omni-channel is a subsidiary of Bailian Group. As such, Bailian Omni-channel constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Sales Agency 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 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.

LETTER FROM LEGO

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Xia Da-wei, Mr. Lee Kwok Ming, Don, Mr. Chen Wei and Mr. Zhao Xinsheng (who have no material interest in the relevant connected transactions), will be formed to advise the Independent Shareholders on (i) the Supplemental Agreement; and (ii) the Sales Agency Framework Agreement (including the proposed annual caps) in accordance with the Listing Rules.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, Lego Corporate Finance Limited had acted as independent financial adviser to the Company in relation to the continuing connected transactions in relation to (i) procurement of goods framework agreement; (ii) goods supply framework agreement; and (iii) sales agency framework agreement, details of which were disclosed in the circular of the Company dated 16 November 2022. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the (i) Supplemental Agreement; and (ii) Sales Agency Framework Agreement.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

LETTER FROM LEGO

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company and Bailian Group or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background 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. Set out below are selected financial information of the Company for the two years ended 31 December 2021 and 2022 and six months ended 30 June 2022 and 2023 as extracted from the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”):

	For the year ended 31 December		For the six months ended 30 June	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited and restated)	(unaudited)
Revenue	24,759,659	24,681,396	13,585,003	11,771,962
(Loss)/profit for the year/period	(371,356)	(132,764)	61,407	(70,986)
	As at 31 December		As at 30 June	
	2021	2022	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(audited)	(audited)	(unaudited)	
Total assets	22,829,926	22,927,846	21,678,276	
Total liabilities	21,575,529	21,742,435	20,506,453	
Net assets	1,254,397	1,185,411	1,171,823	

LETTER FROM LEGO

As illustrated in the table above, revenue of the Group amounted to approximately RMB24,681.4 million for the year ended 31 December 2022, representing a slight decrease of approximately 0.3% as compared to that of approximately RMB24,759.7 million for the year ended 31 December 2021. However, the net loss of the Group for the year ended 31 December 2022 decreased by approximately 64.2% as compared to that for the year ended 31 December 2021.

According to the 2022 Annual Report, the improved operation of the Group was mainly due to active business transformation, including but not limited to (i) the upgrade of terminal store; (ii) the acceleration of the online-to-home business and omni-channel operation; and (iii) digital transformation and promotion. In 2022, the Group had also launched the store-houses integration, commenced multi-mode online businesses, and expanded the delivery-to-home online business to Jiangsu and Anhui regions.

According to the 2023 Interim Report, the revenue of the Group amounted to approximately RMB11,772.0 million for the six months ended 30 June 2023, representing a decrease of approximately 13.3% as compared to that of approximately RMB13,585.0 million for the six months ended 30 June 2022, mainly due to (i) the slow recovery of the supermarket industry after the pandemic, in particular, the number of store visitors decreased compared with that before the pandemic; and (ii) the impact of the pandemic at the beginning of the year on the peak-sale season. The Group recorded a net loss of approximately RMB71.0 million for the six months ended 30 June 2023, which was in line with the decrease of revenue.

The net assets of the Group remained stable throughout the review period.

2. Information on the parties involved

Information of 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.

LETTER FROM LEGO

Information of Shanghai Securities

Shanghai Securities is a subsidiary of Bailian Group, principally engaged in securities business. As at the Latest Practicable Date, Shanghai Securities is held as to 50%, 24.99%, 16.33%, 7.68% and 1% by Bailian Group (a company directly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), Guotai Junan Securities Co., Ltd. (the H shares of which are listed on the Stock Exchange under the stock code 02611 and the A shares of which are listed on the Shanghai Stock Exchange under the stock code 601211), Shanghai Sitico Assets Management Co., Ltd.* (上海上國投資產管理有限公司) (a company indirectly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), Shanghai International Group Co., Ltd.* (上海國際集團有限公司) (a company directly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), and Shanghai Chengtou Group Corporation (上海城投(集團)有限公司) (a company directly 100% held by Shanghai State-owned Assets Supervision and Administration Commission), respectively.

Information of the Custodian Bank

The Custodian Bank is a joint stock limited company incorporated in the PRC with limited liability, and is principally engaged in a range of banking services and related financial services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Custodian Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Information of Bailian Group

As stated in the Letter from the Board, 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.

Information of Bailian Omni-channel

As stated in the Letter from the Board, 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.

LETTER FROM LEGO

3. Supplemental Agreement

3.1 Principal terms of the Supplemental Agreement

The principal terms of the Supplemental Agreement are summarised as follows:

- Date: 27 September 2023
- Parties: (1) Lianhua Huashang (as Entrustor);
(2) Shanghai Securities (as Manager); and
(3) the Custodian Bank (as custodian)
- Term: The Supplemental Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).
- Entrusted Assets: Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, such increased amount (being the difference between the increased total amount of Entrusted Assets and the net assets of the Scheme as at 1 January 2024), and such increased amount payable by Lianhua Huashang shall be up to RMB398.3 million (assuming no additional amount paid between the Latest Practicable Date and up to 31 December 2023) based on the net assets of the Scheme in the escrow account as at the Latest Practicable Date) shall be paid in full by no later than 29 February 2024. As at the Latest Practicable Date, the balance of net assets of the Scheme in the escrow account was approximately RMB951.7 million, and the principal amount of the Entrusted Assets placed in the escrow account was RMB912 million.

LETTER FROM LEGO

Subject to the terms and conditions of the Single Asset Management Contract (as supplemented), based on the market conditions, Lianhua Huashang shall have the right to withdraw the Entrusted Assets by serving written redemption notice upon Shanghai Securities copying the Custodian Bank at least three business days before the application date of the withdrawal. Shanghai Securities shall liquidate the relevant investment product upon receipt of the written redemption notice and transfer the proceeds to the escrow account for withdrawal by Lianhua Huashang. Shanghai Securities shall transfer the withdrawal amount as requested by Lianhua Huashang from the escrow account to the account designated by Lianhua Huashang within five working days after receipt of the written redemption notice, provided that, the total amount of Entrusted Assets after withdrawal shall not be less than RMB10 million. Shanghai Securities and the Custodian Bank would not be liable for the loss of asset realization resulting from the late notice by Lianhua Huashang. During the extended term of the Single Asset Management Contract, in the event of the total amount of Entrusted Assets as a result of withdrawal is less than RMB1,350 million, Lianhua Huashang will make addition to the Entrusted Assets, provided that, the total amount of Entrusted Assets after addition made thereto shall not exceed RMB1,350 million (being the maximum cash outflow of Lianhua Huashang that deposited into the escrow account as the assets entrusted under the Scheme in accordance with the terms of the Single Asset Management Contract (as supplemented)).

Asset Management
and Investment
Services:

Pursuant to the terms of the Single Asset Management Contract (as supplemented), Shanghai Securities shall invest and manage the Entrusted Assets, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and the investment scope and investment guidelines as set forth below:

LETTER FROM LEGO

The Scheme is a fund-of-funds asset management scheme that aims to primarily invest more than 80% of its total assets in asset management products issued by institutions subject to the supervision of the financial regulatory authorities under the State Council including, but not limited to, publicly offered securities investment funds, asset management products issued by fund management companies and their subsidiaries, asset management products issued by futures companies and their subsidiaries, asset management plans of securities companies and their subsidiaries, asset management plans issued by insurance companies and their subsidiaries, asset management products issued by commercial banks and their asset management subsidiaries, trust plans, and asset management products issued by private fund managers registered with the AMAC.

In particular, comprises:

- (1) Fixed-income assets: including, but not limited to, cash, bank deposits, money market instruments, money market funds, bond reserve repurchase, inter-exchange and interbank listed and traded treasury bonds, local government bonds, corporate bonds (企業債), corporate bonds (公司債), various types of financial bonds (including subordinated bonds and hybrid capital bonds), central bank notes, inter-bank certificates of deposit, convertible bonds (including segregable trading bonds), exchangeable bonds, various types of debt financing instruments approved and registered for issuance by NAFMII (e.g., super-short-term commercial paper (SCP), short-term commercial paper (CP), mid-term notes (MTN), pooled notes, pooled bonds, asset-backed notes (ABN) and private placement notes (PPN), private corporate bonds, asset-backed securities (ABS), bond funds, fixed-income asset management plans issued under the supervision of the financial regulatory authorities under the State Council, and other fixed-income assets;

LETTER FROM LEGO

- (2) Equity assets: including, but not limited to, A-share stocks (including primary market subscription and secondary market purchase and sale) traded in the market of SSE and SZSE according to PRC laws and regulations and publicly issued and listed (exclusive of ST stocks), equity funds, hybrid funds (including ETFs and LOFs). Equity asset management products issued under the supervision of the financial regulatory authorities under the State Council;
- (3) Hybrid asset management products issued under the supervision of the financial regulatory authorities under the State Council;
- (4) Futures and derivatives asset management products (excluding investment in over-the-counter derivatives) that are subject to regulation and issuance by the financial regulatory authorities under the State Council; and
- (5) Positive bond repurchase.

LETTER FROM LEGO

The ratio of the investment portfolio under the Scheme shall strictly comply with relevant laws and regulations, and shall satisfy the following requirements: (1) fixed-income assets shall account for 0% to 80% (exclusive) of the total assets of the Scheme, of which (a) the proportion of investment in other than currency fund, bond funds or fixed-income asset management plans subject to the supervision and issuance of the financial regulatory authorities under the State Council shall account for 0% to 20% (exclusive) of the total assets of the Scheme, and (b) the balance of the financed funds raised from positive bond repurchase shall not exceed 100% of the net asset value of the Scheme on the previous day, and the balance of the financed funds used in reverse bond repurchase shall not exceed 100% of the net asset value of the Scheme on the previous day, unless otherwise stipulated by the relevant laws, regulations and policies; (2) equity assets shall account for 0% to 50% (exclusive) of the total assets of the Scheme; (3) the value of contracts for positions in futures and derivatives shall account for not less than 20% of the total assets of the Scheme, and the interest in futures and derivatives accounts shall account for not less than 50% (inclusive) of the total assets of the Scheme; (4) the Manager shall carry out penetration calculations on the investment ratios of the above types of assets, and the source of data for the penetration calculations shall be based on the latest valuation data provided by the asset management products in which the investments are made.

The risk level of the Schemes under the Single Asset Management Contract (as supplemented) is categorised as R3 (medium risk), where the investment guidelines require up to 80% of the total assets of the relevant Schemes shall be mainly invested in fixed-income assets and the remaining funds shall be invested in low-risk quantitative arbitrage strategies, seeking stable returns with cost-effectiveness while keeping volatility and drawdowns to a relatively low level, and is suitable for professional investors and qualified investors with a rating at C3 (conservative) and above.

LETTER FROM LEGO

Asset Custody Services: The Custodian Bank shall open an escrow account in the name of the Scheme for the Entrusted Assets and a securities account or other specific account for specific use by the Scheme. Lianhua Huashang will deposit the Entrusted Assets in the escrow account, and the Custodian Bank shall provide asset custody services to Lianhua Huashang and Shanghai Securities in respect of the Entrusted Assets, perform the obligation of supervising the investment and arrange payment in accordance with the terms and conditions under the Single Asset Management Contract (as supplemented).

Distribution of Returns: Profit of the Scheme refers to the balance of interest income, investment income, gain in change in fair value, and other income net of related expenses. Realized profit of the Scheme refers to the balance of profit of the Scheme net of gain in change in fair value. Distributable profit of the Scheme refers to the lower of the undistributed profit of the Scheme and the realized profit of the undistributed profit of the Scheme as of the benchmark date for distribution of returns. The distribution of returns of the Scheme shall adhere to the following principles:

- (1) during the term of the plan, there is no fixed date for the distribution of returns, and distribution of returns shall be conducted by way of cash;
- (2) when Lianhua Huashang withdraws the Entrusted Assets, the Manager shall determine the distribution of returns date and amount based on the income situation of the Entrusted Assets, and inform Lianhua Huashang;
- (3) the distribution of returns shall be denominated in RMB, and rounded to two decimal places. Losses due to rounding shall be borne by the Entrusted Assets, as well as the generated income; and
- (4) compliance with any other provisions as regulated by laws, regulations, or regulatory authorities.

The plan of the distribution of returns of the Scheme shall be formulated by the Manager, reviewed by the Custodian Bank, and the Manager shall inform Lianhua Huashang for confirmation.

LETTER FROM LEGO

Early warning and stoplossmechanism: During the term of the Scheme, including after the payment of increased Entrusted Assets and throughout the term of the extended period of the Single Asset Management Contract (as supplemented), the early warning line of the Scheme is unit net value of the Entrusted Assets of RMB0.95 and the stop-loss line of the Scheme is unit net value of the Entrusted Assets of RMB0.90. The early warning line and the stop-loss line were determined with reference to the investment scope, investment ratio, investment guidelines and the Entrustor's risk appetite, and the specific figures were determined through arm's length negotiation between the parties based on the industry and market practice, where, with reference to the comparable quotations from three independent financial institutions in the PRC obtained by, and to the best knowledge, information and belief of Lianhua Huashang, the market prevailing early warning line is generally in a range of RMB0.8 to RMB0.95 and the stop-loss line is generally in a range of RMB0.7 to RMB0.9, depending on the risk appetite of the investor as well as the risk attributes of investment products, where risk-taking investors are willing to invest in high-risk and high-yield products with corresponding lower early warning and stop-loss lines, while risk-averse investors tend to invest in low-risk and relatively low-yield products with corresponding higher early warning and stop-loss lines. If the unit net value of the Entrusted Assets at the end of the trading day falls below the warning line, Shanghai Securities will inform Lianhua Huashang relevant circumstances within 24 hours, and submit a report in written to Lianhua Huashang within three business days; and in the event of the unit net value of the Entrusted Assets at the end of the trading day falls below the stop-loss line, Shanghai Securities shall close the position, after which all the Entrusted Assets shall be returned to the escrow account and the parties will further negotiate to terminate the Scheme. The initial unit net value of the Entrusted Assets is RMB1.00, and as at the Latest Practicable Date, the unit net value of the Entrusted Assets is RMB1.0566. For the avoidance of doubt, the early warning line and stop-loss line shall not be affected or changed in the event of the unit net value of the Entrusted Assets deviated from RMB1.00.

LETTER FROM LEGO

Charges under the Scheme:

During the extended term of the Single Asset Management Contract, Lianhua Huashang shall pay:

To Shanghai Securities

(1) the management fee:

- at 0.3% per annum based on the net asset value of the Scheme on the previous calendar day, to be accrued on a daily basis and automatically charged within five business days of the beginning of every month (in case of legal holidays, rest days, etc., the payment date will be postponed by next day); and

(2) the performance fee:

- to be accrued (i) on the date of application for withdrawal of the Entrusted Assets or upon expiry of liquidation of the Scheme, or (ii) on the income distribution date (collectively, the “performance fee accrual date(s)”). Under the latter circumstance, the performance fee shall not accrue more frequently than once every 12 months;
- Shanghai Securities will differentiate between each portion of investment made by Lianhua Huashang based on the time of participation, and calculate the actual annualised rate of return (*Note*) and performance fee for each portion of investment separately;

LETTER FROM LEGO

calculated based on the realised gains on different portions of investment (i.e. various types of gains obtained from the investment operation of Entrusted Assets, including but not limited to investment bonus, dividends, bond interest, the price difference between buying and selling securities, bank deposit interest and other income) of the Scheme during the performance fee accrual period (i.e. from the commencement of the Scheme to the first performance fee accrual date or the period from each performance fee accrual date to the next performance fee accrual date): if the actual annualised rate of return (*Note*) exceeds 4.25%, which is the benchmark annualised rate of return subject to the adjustment may be made by the Manager based on PBOC's three-year fixed deposit benchmark rate, then 20% of the excess portion shall be payable by Lianhua Huashang to Shanghai Securities as performance fee for such performance fee accrual period; if the annualised rate of return is lower than or equal to the benchmark annualised rate of return, no performance fee for such performance fee accrual period is required to be paid by Lianhua Huashang.

LETTER FROM LEGO

Note:

*Actual annualised rate of return = (unit net value of Entrusted Assets at the end of the period – unit net value of Entrusted Assets at the beginning of the period)/unit net value of the Entrusted Assets at the beginning of the period * 100% * (365/days of operations from the beginning (inclusive) to the end of the period (exclusive)). Among them, the unit net value of Entrusted Assets = (total value of Entrusted Assets – liabilities of Entrusted Assets)/total units of Entrusted Assets. The total value of Entrusted Assets refers to the total value of various types of negotiable securities, principal and interest of bank deposits, securities investment fund shares and other assets under the Scheme.*

To the Custodian Bank

The custodial fee: at 0.015% per annum based on the net asset value of the Scheme on the previous calendar day, to be accrued on a daily basis and automatically charged within five business days of the beginning of every month (in case of legal holidays, rest days, etc., the payment date will be postponed by next day) and the termination date of the Supplemental Agreement (or the date for early termination).

LETTER FROM LEGO

Information disclosure and reporting:

Shanghai Securities shall disclose the net value of Entrusted Assets under the Scheme to Lianhua Huashang at least once every trading day; circulate quarterly reports within ten business days after the end of each quarter and annual reports within two months after the end of each year on management and custody to Lianhua Huashang, disclosing the work report of the manager and the Custodian Bank, explaining the investment performance, investment portfolio, leverage ratio (if any), financial report, the basis, method and payment of the management fee, custodial fee and performance fee (if any), changes of investment managers, material events relating to the interests of Lianhua Huashang, such as substantial related transactions of the Entrusted Assets during the reporting period, and other matters as required by CSRC.

If an event occurs that materially affects the interests of Lianhua Huashang or as agreed in the Single Asset Management Contract (as supplemented), Shanghai Securities shall disclose it to Lianhua Huashang within five business days from the date of the occurrence of the relevant event.

Shanghai Securities and the Custodian Bank shall fulfill their reporting obligations in accordance with the laws and regulations and the requirements of the regulator, setting out the types, contents, time and means of reporting by the asset manager and asset custodian to the regulator and other relevant matters.

Lianhua Huashang may inquire Shanghai Securities about the investment operation of the Entrusted Assets under the Scheme and the Custodian Bank about the custody of the Entrusted Assets under the Scheme. Lianhua Huashang is able to inspect or copy the disclosed information in accordance with the time and manner as agreed in the Supplemental Agreement.

LETTER FROM LEGO

- Effectiveness: The Supplemental Agreement will be established once it is signed by Lianhua Huashang, Shanghai Securities and the Custodian Bank and the official seal/special seal for contractual purpose is affixed.
- Termination: The Scheme will be terminated in the case of the occurrence of the followings. The Supplemental Agreement will be terminated once the Scheme is terminated:
- (1) the Scheme expires and is not renewed;
 - (2) it is terminated by Lianhua Huashang, Shanghai Securities and the Custodian Bank upon negotiation;
 - (3) Lianhua Huashang is dissolved, cancelled, declared to go bankruptcy in accordance with the law;
 - (4) Shanghai Securities is disqualified from asset management business in accordance with the law, or dissolved, cancelled, declared to go bankruptcy in accordance with the law without new manager succeeding within six months;
 - (5) the Custodian Bank is disqualified from fund custody in accordance with the law, or dissolved, cancelled, declared to go bankruptcy in accordance with the law without new custodian succeeding within six months;
 - (6) failure to complete the filing or non-filing in the AMAC; or
 - (7) other terminations required by laws, administrative regulations, the Supplemental Agreement and the CSRC.

LETTER FROM LEGO

Liabilities for default: Except for special circumstances such as force majeure, if Shanghai Securities or the Custodian Bank violates the provisions of laws, administrative regulations or the Supplemental Agreement and cause damage to the Entrusted Assets or Lianhua Huashang in the process of performing their respective duties, they should be respectively liable for their own actions and for direct losses according to law.

If Shanghai Securities violates the relevant provisions of laws and administrative regulations, and is legally revoked by the CSRC for the securities asset management business license, ordered to suspend business for rectification, or unable to perform its duties due to business suspension, dissolution, revocation, bankruptcy, etc., it shall properly handle relevant matters in accordance with relevant regulatory requirements.

Pursuant to the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, such increased amount (being the difference between the increased total amount of Entrusted Assets and the net assets of the Scheme as at 1 January 2024) shall be paid in full by no later than 29 February 2024. According to the Letter from the Board, as at the Latest Practicable Date, the balance of net assets of the Scheme in the escrow account was approximately RMB951.7 million. It is also noted that Shanghai Securities shall invest and manage the Entrusted Assets, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and the investment scope and investment guidelines as stipulated in the Single Asset Management Contract (as supplemented).

LETTER FROM LEGO

In order to assess the fairness and reasonableness of the terms of the Supplemental Agreement, with respect to the charges under the Scheme, we have obtained and reviewed three quotations (the “**Comparable Quotations**”) obtained by the Group in June 2023 from three independent financial institutions in the PRC licensed by the CSRC providing comparable asset management and investment services than that provided by Shanghai Securities at the same risk rating level R3 (medium risk). According to the Management, having considered the investment risk of the fund, the Company initially short-listed the aforementioned three independent financial institutions based on selection criteria, including but not limited to, (i) reputation and track record; (ii) corporate background and resources; and (iii) operation and communication efficiency with the Company. It is noted that the aforementioned financial institutions are all reputable securities firms which are established for over 20 years, and are registered and licensed in providing asset management and investment services in the PRC with assets under management over RMB200 billion. Therefore, we are of the view that the Comparable Quotations are sufficient to provide a meaningful reference on the general market practice on terms of similar asset management scheme and are considered fair and representative. We noted the management fees and performance fees rates of the Comparable Quotations ranged from 0.3% to 0.6% and 10% to 20%, respectively. Hence, the management fees and performance fees rates payable to Shanghai Securities, being 0.3% and 20%, fall within respective ranges of the Comparable Quotations and are on normal commercial terms, fair and reasonable and no less favourable to the Group than that offered by the independent financial institutions.

LETTER FROM LEGO

With respect to the benchmark annualised rate of return, we were given to understand from the Management that the benchmark annualised rate of return of 4.25% is negotiated and agreed between the Company and Shanghai Securities having considered the actual annualised rate of return under the Single Asset Management Contract, the current benchmark three-year fixed deposit rate announced by PBOC and the market rate of return of similar single asset management schemes in the market. In this regard, we have obtained and reviewed the historical rate of return of product under the Single Asset Management Contract, and noted that annualised rate of return of the Scheme amounted to approximately 4.83% as of 31 December 2021, approximately 0.22% as of 31 December 2022 and approximately 4.17% as at 31 August 2023. In particular, as stated in the Letter from the Board, the low annual rate of return in 2022 was mainly attributable to the financial market in the PRC having experienced several unexpected challenges, resulting in both stocks and bonds prices taking a hit. The Shanghai and Shenzhen 300 Index, along with mixed-type public mutual funds, saw varying degrees of decline or losses in their average performance in 2022. We noted that the benchmark annualised rate of return of 4.25% is (i) within the range of annualised rate of return from 4.0% to 5.5% of the Comparable Quotations; and (ii) higher than the latest three-year renminbi fixed deposit rate of 2.20% as published by Bank of China on 1 September 2023. Accordingly, we consider the benchmark annualised rate of return under the Supplemental Agreement is on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

Moreover, the Scheme is a hybrid asset management scheme (混合類資產管理計劃). We understand from the Management that the investment ratios between different underlying investment products of the portfolio as stipulated under the Supplemental Agreement are agreed between the Group and Shanghai Securities based on the guideline of the Scheme focusing on investing in investment products with medium risk. Pursuant to the Supplemental Agreement, we noted that majority proportion of the investment will be allocated to fixed income assets and equity assets, the investment risks of which are considered lower as compared to that of derivative products such as futures. Hence, we are of the view that the designated investment portfolio is in line with the conservative investment objective of the Group in adopting low-risk quantitative arbitrage strategies, seeking stable returns with cost-effectiveness while keeping volatility and drawdowns to a relatively low level.

LETTER FROM LEGO

With respect to the early warning line and the stop-loss line of Entrusted Assets, we noted from the Comparable Quotations, the early warning line ranged from RMB0.95 to RMB0.96 and the stop-loss line ranged from RMB0.90 to RMB0.92, and the early warning line of RMB0.95 and stop-loss line of RMB0.90 as stipulated under the Supplemental Agreement are within the respective range of that of the Comparable Quotations. Therefore, we considered such values are fair and reasonable so far as the Independent Shareholders are concerned. In addition, we are of the view that the early warning and stop-loss mechanism and flexible withdrawal of the Entrusted Assets pursuant to the Supplement Agreement protect the Company from any significant investment loss under the Scheme and will not affect the operating liquidity of the Group.

Having considered the above, we concur with the Directors that the terms under the Supplemental Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the transaction contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

3.3 Reasons for and benefit of entering into the Supplemental Agreement

As stated in the Letter from the Board, cash and cash equivalents of the Group (including term deposits) amounted to approximately RMB8.2 billion as at the 30 June 2023 and that the interest rate for term deposits in commercial banks is experiencing a downturn as affected by the macro-economy, the Group proposed to adjust the capital structure and convert part of the term deposits and idle working capital (if any) of Lianhua Huashang into financial investment, which will bring higher returns to the Group compared with fixed term deposits in commercial banks in the PRC.

LETTER FROM LEGO

Shanghai Securities has been providing the assets management and investment services for the Entrusted Assets of the Group since 2021. As stated in the Letter from the Board, in order to increase the income of the Group, Lianhua Huashang intends to enter into the Supplemental Agreement with Shanghai Securities for an extended period of three years, to continuously manage its existing idle fund through conducting purchasing or subscribing for asset management schemes without affecting the ordinary operating liquidity. Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, such increased amount (being the difference between the increased total amount of Entrusted Assets and the net assets of the Scheme as at 1 January 2024) shall be paid in full by no later than 29 February 2024. According to the Letter from the Board, as at the Latest Practicable Date, the balance of net assets of the Scheme in the escrow account was approximately RMB951.7 million, hence assuming such net assets balance remain unchanged, Lianhua Huashang shall invest an additional amount of Entrusted Assets of approximately RMB651.4 million into the escrow account, which only represents less than 10% of the cash and cash equivalents of the Group as at 30 June 2023. According to the annual report of the Company for the year ended 31 December 2022, the operating expenses of the Group which included (i) distribution and selling expenses; (ii) administration expenses; (iii) other expenses; and (iv) finance costs, amounted to approximately RMB5.8 billion, which is sufficiently covered by the cash and cash equivalents of the Group (including term deposits) as at the 30 June 2023 in all material aspect. In light of (i) the cash and cash equivalents of the Group (including term deposits) is sufficient in satisfying its working capital requirement; and (ii) the Management currently has no plan for any material capital expenditures in the coming three years, the Directors are of a view that the increase in Entrusted Assets will not affect the Group's operating liquidity.

LETTER FROM LEGO

We understand from the Management that, Shanghai Securities is one of the most reputable securities companies in the PRC with abundant investment management experiences and the investment risk of the investment products and entrusted investment services provided by Shanghai Securities are comparatively low based on its historic record, ranking, asset scale and reputation. In this regard, we have obtained and review the credentials of Shanghai Securities including its track record, investment portfolio and performance, and biographies of its management. It is noted that (i) Shanghai Securities has an extensive investment portfolio with total market value of assets under management (AUM) over RMB30 billion as at 30 June 2023; (ii) the management personnel of Shanghai Securities has comprehensive experience over various sectors in finance industry assets management, investment research, credit analysis and securities trading, etc., (iii) certain investment product of Shanghai Securities has awarded the 2023 China Securities Industry Equity Asset Management Plan Junding Award (2023中國證券業權益資管計畫君鼎獎), being one of the highest honored selections in the finance industry in the PRC hosted by China Securities News (中國證券報); and (iv) the annual return/performance of certain hybrid asset management scheme (混合類資產管理計畫) launched by Shanghai Securities at approximately 4.99% and 0.38% as at 31 December 2021 and 2022, which outperformed the majority hybrid open-end funds in the PRC with median growth rate of approximately 1.53% and negative growth rate of approximately 16.78% during the same period according to the data obtained through Wind Financial Terminal (Wind 金融終端), an independent financial data and service platform in China, respectively. Moreover, as aforementioned, the investment performance of the Scheme recorded rate of return of approximately 4.17% as of 31 August 2023 which is higher than the latest three-year renminbi fixed deposit rate of 2.20% as published by Bank of China on 1 September 2023. In light of the above, we are of the opinion that Shanghai Securities is a reputable securities company in the PRC with ample investment management experiences and considerable investment track records.

Having considered the above, the Directors are of the view, and we concur that, the financial investment cooperation with Shanghai Securities will enable the Group to effectively improve the efficiency of capital use, better operate the self-owned funds, and realise the maximisation of capital interests with controllable risks. Hence, the entering into of the Supplement Agreement is in the interest to the Company and the Shareholders as a whole.

LETTER FROM LEGO

3.4 Internal Control and Pricing Policy

As stated in the Letter from the Board, the Company has adopted the following internal control measures to ensure that the continuing connected transactions are in accordance with the terms of the Supplemental Agreement and in compliance with the Listing Rules:

1. Notwithstanding the sound investment strategy and risk control system of the wealth management products issued, and the asset management and investment services provided, by Shanghai Securities under the Single Asset Management Contract (as supplemented), due to the coexistence of revenue and risks in the wealth management products and no promise of principal guaranteed policy restriction for the products, Lianhua Huashang will strengthen the project management on investment particulars of Shanghai Securities and monitor the net value of the assets under the Scheme on a daily basis and the performance of the Scheme on a regular basis, and will ensure the sum of the total amount of Entrusted Assets and the returns accrued thereon in the escrow account maintained by the Custodian Bank shall not exceed RMB1,400 million;
2. Prior to make any withdrawal from the Entrusted Assets under the Scheme (or subsequent addition thereto, if any), Lianhua Huashang shall review and consider the past performance of the Scheme, the rate of return and risk profile of the relevant underlying investment products, as well as the then prevailing market conditions and the assessment of the expected returns, in order to ensure the withdrawal from the Entrusted Assets under Scheme (or subsequent addition thereto, if any), based on the advice from the head of financial department of the Company, shall be carried out in accordance with the terms of the Single Asst Management Agreement (as supplemented) with a view to maximise the interests of the Shareholders;
3. The external auditors of the Company will conduct an annual review on the pricing and the annual caps of the continuing connected transactions;
4. The audit committee of the Company 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.

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In view of the above and in particular the transactions contemplated under the Supplemental Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company as well as the regular checks of the Group's internal audit department and the management of the Group, we are of the view that appropriate measures will be in place to govern the conduct of transactions contemplated under the Supplemental Agreement in order to safeguard the interests of the Independent Shareholders.

4. Sales Agency Framework Agreement

4.1 Principal terms of the Sales Agency Framework Agreement

The principal terms of the Sales Agency Framework Agreement summarised as follows:

Date:	27 September 2023
Parties:	(1) Bailian Omni-channel (as agent); and (2) the Company (as principal)
Term:	The Sales Agency Framework Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).
Subject matters:	Sales agency Pursuant to the Sales Agency Framework Agreement, Bailian Omni-channel agreed to sell the Goods on behalf of the Group through its e-commerce platform.

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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 (whichever is lower). 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;
- (2) in respect of Goods sold by third-party platforms through the main site of e-commerce platform of Bailian Omni-channel and/or its subsidiaries, the Company will pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold (together with the platform usage fee and payment handling fee described in paragraph (1) above, the “**Bailian Omni-channel Platform Fees**”); and
- (3) the third party platform usage fee paid by Bailian Omni-channel on behalf of the Group at actual cost (the “**Third Party Expenses**”).

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.

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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, and the Goods sold by third-party platforms through the main site of Bailian Omni-channel’s e-commerce platforms, the Company agrees to pay Bailian Omni-channel the Bailian Omni-channel Platform Fees.

In respect of the third-party platforms usage fee paid by Bailian Omni-Channel on behalf of the Company at actual cost, the Company agrees to pay Bailian Omni-channel the Third Party Expenses.

- (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.

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- (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 shall pay to the Company, upon the date falling six days after the relevant transaction date, in accordance with the terms of the relevant individual sales agency contracts based on arm's length negotiation between the parties on normal commercial terms with reference to market practice, the amount 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 deduction of the fees payable by the Company. The fee payable by the Company to Bailian Omni-channel comprise (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; or

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- (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 on a monthly basis in accordance with the terms of the relevant individual sales agency contracts based on arm's length negotiation between the parties on normal commercial terms with reference to market practice, 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, on a monthly basis in accordance with the terms of the individual sales agency contract.

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With respect to the Selling Prices, we were given to understand from the Management that the categories of Goods to be sold on the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries and/or the third parties are the same as those sold in the outlets of the Group. Besides, pursuant to the Sales Agency Framework Agreement, we noted that 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 and on terms not less favourable than those available for the independent third parties in real-time. For our due diligence purpose, on a random selection basis, we have obtained and reviewed five sample Goods listed on the platform of Bailian Omni-channel and compared against same Goods listed on four independent third-party platforms (including JD Daojia (京東到家), Meituan Waimai (美團外賣), Eleme (餓了麼) and Tao Xianda (淘鮮達)), and we noted that same Selling Prices of the same Goods are being listed on different e-commerce platforms and in line with our understanding of the pricing mechanism on the Selling Prices under the Sales Agency Framework Agreement. Given that (i) each of the samples being selected represents different categories of Goods; (ii) the samples were randomly selected; and (iii) appropriate internal control measures of the Group are in place to govern the conduct of transactions, in particular the Selling Prices, as contemplated under the Sales Agency Framework Agreement (please refer to the section headed “5.4 Internal Control and Pricing Policy” in this letter for details), we are of the view that the selected samples are fair and representative.

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With respect to the total platform usage fees of 4.5% (including the payment handling fee) on sales conducted through Bailian Omni-channel, pursuant to the Sales Agency Framework Agreement such fees include, (a) the platform usage fee which is charged at 4% of the total transaction amount of Goods sold on the e-commerce platform operated by the Balian Omni-channel or 4% of the sales budget of the Goods (whichever is lower); and (b) the payment handling fee which is charged on a cost-incurred basis and shall not exceed 0.5% of the total transaction amount of Goods sold. According to the Management, the Company's platform on Bailian Omni-channel is tailor-made for the Company, which integrates the online e-commerce business with the offline business of the Group. For example, the membership and merit point systems adopted in the offline business of the Group can be applied to the online e-commerce business in order to retain the existing customers and attract new customers. Further as advised by the Management, in order to maintain the synergy between Bailian Omni-channel and/or its subsidiaries and the Group, products listed on the Bailian Omni-channel be will prioritised and will always be advertised on the first pages of its platform. For our due diligent work, we have obtained from the Company nine sample contracts entered into with independent third-party platforms (such as JD Daojia (京東到家) and Meituan Waimai (美團外賣)) for the three years ending 31 December 2023 and noted that the total platform usage fee charged by these third-party platforms ranged from 6.0% to 7.5% on the total transaction amount. Hence, we are of the view that the total platform usage fees of 4.5% (including the payment handling fee) charged by Bailian Omni-channel is no less favourable than that charged by the independent third-party platforms.

In addition, we noted from the sample contracts from the aforementioned independent third-party platforms that, the payment terms of which are settled within seven days after the relevant transaction date and in line with the payment terms in respect of the transactions of Goods sold on the e-commerce platform operated by the Balian Omni-channel as stipulated under the Sales Agency Framework Agreement.

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With respect to sales conducted through independent third-party platforms, as represented by the Management, Bailian Omni-channel as a self-owned platform by Bailian Group is not only an online e-commerce platform but also a fulfillment intermediary for the transaction between third-party platforms and the Group, as well as providing other customised services to the Group. Bailian Omni-channel serves as the processing centre on behalf of the Group and connects its system with the independent third-party platforms in providing functions such as centralising and processing purchase orders, inventory management, delivery instruction and payment settlement, etc. Pursuant to the Sales Agency Framework Agreement, the total platform usage fees include, (a) platform usage fee of 1% of the total transaction amount of Goods sold on independent third-party platforms for the processing services of Bailian Omni-channel; and (b) the platforms usage fee which is agreed between the Group and the independent third-party platforms (ranged from 6.0% to 7.5%). In respect of the platform usage fee of 1% of total transaction amount sold on independent third-party platforms which were processed through Bailian Omni-channel, the Directors consider that Bailian Omni-channel enables the Group to integrate order and delivery information of multiple platforms which reduces the coexistence of different systems from different platforms at the same time, whereas improves the accuracy of the inventory management as well as the delivery efficiency. In addition, through the centralisation of data processing through Bailian Omni-channel, data protection on customer and other business information of the Group can be enhanced. In addition, we have reviewed the operating costs of Bailian Omni-channel and noted that, based on the platform maintenance costs (being mainly the staff cost and depreciation expenses) of Bailian Omni-channel, the operating costs that the Group may incur for operating its own online platform would be substantially higher than the annual platform usage fee being paid to Bailian Omni-channel. In particular, according to the Management, based on the platform operating costs incurred by Bailian Omni-channel for the year ended 31 December 2022 which was over RMB200 million, assuming allocating the percentage of agency sales of the Group conducted on Bailian Omni-channel through independent third-party platforms, such platform operating costs would be substantially higher than the platform usage fee paid to Bailian Omni-channel by the Group. In another words, through the services provided by Bailian Omni-channel, the Group can effectively save investment and operating costs on its e-commerce business. Hence, the Directors are of the view and we concur that, the platform usage fee of 1% charged by Bailian Omni-channel is fair and not excessive.

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In addition, we noted from the sample contracts from the aforementioned independent third-party platforms that transaction payments are settled within seven days after the relevant transaction date. Bailian Omni-channel serves as the processing centre which connects its system with several independent third-party platforms in providing functions such as centralising and processing purchase orders, inventory management, delivery instruction and payment settlement services on behalf of the Group. Having considered the large amount of time and administrative work to be involved in handling the transactions from the independent third-party platforms, we are of the view that the payment terms in respect of the transactions of Goods sold on independent third-party platforms through Bailian Omni-channel on a monthly basis is not overly long, which enable the Group to process the transactions more systematically and enhance the operating efficiency to the Group. Hence, we are of the view that such payment term is considered commercially justifiable and fair and reasonable so far as the Independent Shareholders are concerned.

Based on the above, given (i) the nature of the transactions contemplated under the Sales Agency Framework Agreement are consistent with the principal activities of the Group; and (ii) the terms under Sales Agency Framework Agreement are no less favourable than those available from independent third parties, we concur with the Directors that the entering into of the Sales Agency Framework Agreement is in the ordinary and usual course of business of the Group, and on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

4.2 The annual caps of the Sales Agency Framework Agreement

	For the year ended		For the year ending	
	31 December		31 December	
	2020	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Transaction amount on agency sales	600,780	708,500	532,131	897,285 <i>(Note 1)</i>
Platform usage fees	27,358	33,366	45,523	46,350 <i>(Note 2)</i>
Existing annual caps of agency sales	2,000,000	2,800,000	1,600,000	1,800,000
Existing annual caps of platform usage fees	80,000	112,000	50,000	110,000
Proposed annual cap			For the year ending 31 December	
			2024	2025
			<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total transaction amounts	1,400,000		1,500,000	1,600,000
Total platform usage fees		95,000	107,000	120,000

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Note 1: For the eight months ended 31 August 2023, the total transaction amount of agency sales conducted by Bailian Omni-channel and/or its subsidiaries was approximately RMB598.2 million. On a hypothetical basis, the annualised amount for the year ending 31 December 2023 would be approximately RMB897.3 million.

Note 2: For the eight months ended 31 August 2023, the total platform usage fee paid to Bailian Omni-channel and/or its subsidiaries was approximately RMB30.9 million. On a hypothetical basis, the annualised amount for the year ending 31 December 2023 would be approximately RMB46.4 million.

As shown in the above table, the annualised historical amounts of agency sales for the year ending 31 December 2023 would be approximately RMB897.3 million. The annualised historical amounts of platform usage fees for the year ending 31 December 2023 would be approximately RMB46.4 million. As advised by the Management, the hypothetical transaction amount in 2023 increased by approximately 68.6% as compared to that in 2022, due to the fact that the operation of the Group is recovering from the overall market environment being impacted by the continuous resurgence of the COVID-19 pandemic in the PRC over the past years.

With respect to the agency sales under the Sales Agency Framework Agreement

According to the Management, the proposed annual caps for the agency sales under the Sales Agency Framework Agreement were mainly determined based on the following factors: (i) the expected potential on e-commerce platform sales would further drive the online demand of Goods sold by the Group; (ii) the historical transactions amounts between the Group and Bailian Omni-channel under the Sales Agency Framework Agreement have shown a promising growth trend from 2020 to 2021; (iii) due to the fact that Goods being sold by the Company mainly comprises fast-moving consumer goods which focus on catering the livelihood needs, the Company is recovering rapidly from continuous resurgence of the COVID-19 pandemic in the PRC, and that the hypothetical transaction amount in 2023 would be increased by approximately 68.6% as compare to that in 2022; (iv) the impact of the Company deepening the cooperation with the e-commerce platforms of Bailian Omni-channel for the sales agency business in Jiangsu and Anhui Provinces with an aim to increase the market penetration in such regions; and (v) the e-commerce businesses of Bailian Omni-channel and/or its subsidiaries have been developing and continuously perfected in the past five years and already obtained a comparably large customer base and user stickiness.

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In order to assess the fairness and reasonableness of the proposed annual caps for the agency sales under the Sales Agency Framework Agreement, we have obtained and reviewed the projection table in estimating the relevant proposed annual cap, and discussed with the Management on the bases and assumptions underlying the determination of the relevant proposed annual cap as below:

- According to the Management, due to (i) conveniency provided by the e-commerce platforms; and (ii) popularisation of mobile applications and applets, customer's buying behaviours have gradually switched from offline to online purchases these years. The agency sales of the Group for the year ended 31 December 2021 recorded a noticeable increase by approximately RMB107.7 million or approximately 17.9% as compared to the year ended 31 December 2020. The transaction amount of agency sales decreased from approximately RMB708.5 million for the year ended 31 December 2021 to approximately RMB532.1 million for the year ended 31 December 2022, representing a decrease of approximately 24.9%, mainly impacted by the lockdown in Shanghai in the first half of 2022 which blocked the logistic services in Shanghai. We noted that the transaction amount of agency sales has rapidly recovered from approximately RMB532.1 million for the year ended 31 December 2022 to RMB897.3 million for the year ending 31 December 2023, representing an increase of approximately 68.6%;
- According to the Management, due to the relaxation of the quarantine policies, in particular in the Yangtze River Delta regions, business of the Group was recovering gradually, and the financial performance of the Group after June 2022 would be more representative of the normal business performance due to the pre-cautionary lockdown and the blocked logistics services in Shanghai during the first half of 2022. In this regard, we noted that the agency sales of the Group is recovering for the eight months ended 31 August 2023, which the transaction amount is increasing at a rate of approximately 74.5% as compared to the transaction amount of approximately RMB342.9 million for the eight months ended 31 August 2022, respectively;

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- Having considered low utilisation rate of agency sales is expected for the year ending 31 December 2023 of approximately 49.8% as shown in the table above (being the annualised agency sales of approximately RMB897.3 million divided by respective annual cap of approximately RMB1,800 million for the year ending 31 December 2023), the Management have adjusted and reduced the proposed annual cap for agency sales for the year ending 31 December 2024 by RMB400 million or approximately 22.2% as compared to that for 2023;
- According to the Management, starting from 2021, the Company has been deepening the cooperation with the e-commerce platforms of Bailian Omni-channel for the sales agency business in Anhui and Jiangsu Provinces, and the online business has further expanded to Guangxi Province in 2022. As at the Latest Practicable Date, Bailian Omni-channel's network has already fully covered the business presence of the Group in Jiangsu and Anhui Province. The Management anticipated that the market penetration in Jiangsu and Anhui will be increased steadily and therefore agency sales of the Group are also anticipated to grow accordingly;
- In respect of the customer base of Bailian Omni-channel, to the best knowledge of the Directors, the number of registered members of Bailian Omni-channel has recorded considerable growth at CAGR over 10% since 2019;
- The Group has been accelerating the integration of its online and offline business operations, and focused on the development of its "Delivery to Home" business in recent years through active expansion of online channels with electronic business technologies. In addition, the Group actively looked for breakthroughs in online fresh produce operation, introduced suppliers for fresh produce, expanded the online sales of fresh produce and optimised the number of products eligible for "Delivery to Home". The Group also actively and effectively carried out activities to expand membership and accelerated the connection with physical stores, realising rapid growth in both the number of orders and sales volume of the "Delivery to Home" business;

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- We were given to understand from the Management that the sales of Goods conducted through e-commerce platforms mainly target for customers in the adjacent areas where the Group's hypermarkets, supermarkets and convenience stores operate. Having considered (i) the development and expansion plans of the Group in 2024 regarding the opening of new stores at an annual growth rate of approximately 3.5%; (ii) the Group recorded a net increase of 50 stores for the eight months ended 31 August 2023; and (iii) the continuous growth of online sales of the Group through e-commerce platform as aforementioned, we concur with the Directors' view that, the opening of the outlets and expansion of sales network of the Group will further drive the online sales of the Group through e-commerce platforms;
- We have also conducted research on the e-commerce business environment in the PRC. According to the 2022 China E-Commerce Report released by the Ministry of Commerce of the PRC, the scale of e-commerce transactions in the PRC continued to expand and maintained a high-speed growth trend. The national e-commerce transaction amount increased to approximately RMB43.8 trillion in 2022 from approximately RMB37.2 trillion in 2020, representing a CAGR of approximately 8.5%. The online retail sales increased from approximately RMB11.8 trillion in 2020 to approximately RMB13.8 trillion in 2022, representing a CAGR of approximately 8.1% and the national online shopping users reached approximately 0.85 billion in 2022. E-commerce has become one of the main channels of consumption in the PRC. The continuous growth in e-commerce transactions in PRC is in line with the Company's estimation on the increase of the online sales of the Group;
- Annual caps for the years ending 31 December 2025 and 2026 of RMB1,500 million and RMB1,600 million, representing year-on-year increase of approximately 7.1% and 6.7%, respectively. We were given to understand from the Management that, the Company assumed an organic growth on the expected transactions to be conducted through third party platforms due to the change in overall consumption behaviour from offline to online, as well as the increasing coverage and registered users of the third party platforms. We consider such expected growths are fair and reasonable having compared with the aforesaid growing trend of the national e-commerce transaction amount which increased at a CAGR of 8.5% and the national online retail sales amount which increased at a CAGR of 8.1% from 2020 to 2022; and

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- the Management advised that the proposed annual caps under the Sales Agency Framework Agreement represent the expected transaction amount between the Group and Bailian Omni-channel for the three years ending 31 December 2026. We would like to emphasise that, notwithstanding the increasing proposed annual caps as compared to the actual historical transaction amount, taking into account that (i) the proposed annual cap under the Sales Agency Framework Agreement for the year ending 31 December 2024 is adjusted and reduced by RMB400 million or approximately 22.2% as compared to that for 2023; and (ii) agency sales is a stable and recurring source of income of the Group, we are of the view that it is fair and reasonable to set the proposed annual caps according to the Group's expected transaction amount between the Group and Bailian Omni-channel, so as not to limit the development of the business of the Group in the event that it is able to meet its anticipated business growth.

Based on the above, in particular taking into consideration (i) the Group is recovering rapidly from the impacts of COVID-19 pandemic; and (ii) the anticipated increase in online demand of the fresh produce and food supplied by the Group through e-commerce platforms, we are of the view that the proposed annual cap for agency sales for the three years ending 31 December 2026 under the Sales Agency Framework Agreement are justifiable.

With respect to the platform usage fee under the Sales Agency Framework Agreement

In order to assess the fairness and reasonableness of the proposed annual cap for the platform usage fee under the Sales Agency Framework Agreement, we have obtained and reviewed the projection table in estimating the proposed annual caps, and noted that the calculation of the proposed annual caps for the platform usage fee for the three years ending 31 December 2024, 2025 and 2026 are based on the projected transaction amount of agency sales expected to be conducted for the corresponding year, and following the pricing mechanisms pursuant to the Sales Agency Framework Agreement. Based on the discussion above, given that the terms of the Sales Agency Framework Agreement are considered as normal commercial terms and are considered fair and reasonable, we are of the view that the proposed annual caps for the platform usage fee for the three years ending 31 December 2024, 2025 and 2026 under the Sales Agency Framework Agreement are justifiable.

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4.3 Reasons for and benefit of entering into the Sales Agency Framework Agreement

As stated in the Letter from the Board, the business scale of Bailian Omni-channel and its subsidiaries is increasing that Bailian Group's development of e-commerce will provide a new platform for and greatly increase the volume of the sale of Goods of the Group. As mentioned above, to the best knowledge of the Directors, the number of registered members of Bailian Omni-channel has recorded considerable growth at CAGR over 10% since 2019. According to the 2023 Interim Report, the brand exposure and reputation of the Group has been strengthened by linking up with Bailian Omni-channel, posting invitations through various platforms of self-media and communities, and attracting traffic through social hotspots and online and offline interaction. The number of readers of hot topics exceeded 1,000,000, and the exposure of the brand's media communication exceeded 69,550,000 with an increasing number of consumers perceiving Group's new products, gaining a better understanding of and developing a greater affinity for the Lianhua brand.

The Group has achieved growth in both the number of orders and sales volume of the "Delivery to Home" business. We were given to understand from the Management that, the online revenue of the Group amounted to approximately 8% of the total revenue of the Group in 2022, whereas the "Delivery to Home" business represented approximately 95% of the Group's online revenue, and the proportion of the "Delivery to Home" business exhibited a growing trend. As such, we concur with the Directors that there are increasing demand 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

In addition, 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 light of the foregoing, we are of the view that the entering into of the Sales Agency Framework Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM LEGO

4.4 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 under the Sales Agency Framework Agreement 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. We have performed independent due diligence work on the Selling Prices of the Group which is in line with the relevant internal control policy. For details of our due diligence work, please refer to the sub-section headed “4.1 Principal terms of the Sales Agency Framework Agreement” above.
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. We have performed independent due diligence work on the platform usage fee of the Group which is in line with the relevant internal control policy. For details of our due diligence work, please refer to the sub-section headed “4.1 Principal terms of the Sales Agency Framework Agreement” above.
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;

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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.

In view of the above and in particular the transactions contemplated under the Sales Agency Framework Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company as well as the regular checks of the Group's internal audit department and the management of the Group, we are of the view that appropriate measures will be in place to govern the conduct of transactions contemplated under the Sales Agency Framework Agreement in order to safeguard the interests of the Independent Shareholders.

In summary, we are of the view that the proposed annual caps for transactions contemplated under the Sales Agency Framework Agreement and major factors considered as the bases in determining such proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

LETTER FROM LEGO

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the opinion that, (i) although the entering into of the Supplemental Agreement is not in the ordinary and usual course of business of the Group, the terms of the Supplemental Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole; and (ii) the entering into of the Sales Agency Framework Agreement is conducted in the ordinary and usual course of business of the Group, the terms of the Sales Agency Framework Agreement are on normal commercial terms, and together with the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Supplemental Agreement, and the Sales Agency Framework Agreement (including the proposed annual caps).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). She has over 20 years of experience in the securities and investment banking industries.

A. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023 are disclosed in the annual reports of the Company for the three years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023, respectively. Together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://lianhua.todayir.com/en/reports.php>):

- the Annual Report 2020 of the Company for the 12 months ended 31 December 2020 published on 29 April 2021 (pages 129 to 221);
- the Annual Report 2021 of the Company for the 12 months ended 31 December 2021 published on 29 April 2022 (pages 141 to 236);
- the Annual Report 2022 of the Company for the 12 months ended 31 December 2022 published on 26 April 2023 (pages 129 to 226); and
- the Interim Report 2023 of the Company for the 6 months ended 30 June 2023 published on 15 September 2023 (pages 20 to 44).

B. INDEBTEDNESS

At the close of business on 30 September 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had lease liabilities amounting to RMB5,328,340,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and bills payables in the ordinary course of the business, as at the close of business on 30 September 2023, the Group did not have other outstanding mortgages, charges, debentures or other loan capital issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts or loans, other similar indebtedness or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest audited consolidated financial statements of the Group were made up.

D. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations and also the effect of the proposed transactions as set out in this circular, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

2023 is the first year for the full implementation of the spirit of the 20th National Congress of the Communist Party of China. With the full lifting of the epidemic prevention and control policies, production and living will gradually return to normal, the domestic macroeconomic environment will be improved, and the domestic consumption is expected to recover. The Group believes that, in 2023, with the in-depth implementation of the strategy of expanding domestic demand, and the accelerated construction of the new development paradigm featuring dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay, Chinese government will take active measures to revitalize economy, resume and expand consumption, and create more new consumption scenarios, unleashing new vitality into consumption.

In 2023, the Group will continue with its 3 + 1 annual strategic priorities and five supporting guarantee systems. The Group will focus its strategic efforts on business transformation. We will establish a profit model for the hypermarket segment. For the supermarket segment, we will accelerate the promotion of new supermarkets and the iteration of franchise stores, and achieve an industry-leading position in the delivery-to-home business. The Group will focus on category optimisation as its strategic work. We will optimize supply chain and category structure to improve category consolidation and extension as well as product management mechanism, and accelerate the introduction and replacement of products. The Group will prioritise system upgrade as its strategic work and implement Lianhua's digitalization strategy step by step through upgrading systems for its four centers. The Group will take talent development and incentives as its strategic priority. We will foster our core teams, implement contractual management, and improve the performance appraisal system.

In 2023, with the development and investment promotion as the support and guarantee, the Group will focus on the expansion of network in key cities in key regions across various business segments to stabilize the scale; clarify the investment promotion planning, standardize the investment promotion process and enhance the investment promotion performance management. The Group will take the optimization of internal supply chain as the support and guarantee, establish a unified replenishment team, and standardize the mode of operations in warehouses. The Group will take the enhancement of its overall marketing capability as the support and guarantee, facilitating its overall marketing through multi-dimensional reach. With the support of comprehensive budget management and improvement of management efficiency, the Group will strengthen comprehensive budget control through information system. The Group will take the capability and strong execution of the headquarters as support and guarantee to clarify the responsibilities of the headquarters and improve the efficiency of decision-making, thus strengthening the execution capability of the headquarters.

In 2023, the Group will grasp the development trend and characteristics, seek to make further breakthroughs in business development, with a focus on the sales improvement and proportion of imported goods. Centering on building a “15-minute community life circle”, we will comprehensively deepen reform and innovation, promote high-quality development and sustainable growth, and gather the wisdom and strength of all the associates to make practical changes with courage and determination.

F. FINANCIAL EFFECT OF THE SUPPLEMENTAL AGREEMENT ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Pursuant to the Supplemental Agreement, Lianhua Huashang will subscribe for the unit interest of the Scheme managed by Shanghai Securities, and the accounting treatment will change the bank deposit into trading financial assets, which are financial assets at fair value through profit or loss. The transactions contemplated under the Supplemental Agreement are only changes between the asset-type, accounts in the balance sheet and do not involve the impact of other accounts. The return on investment will be recognised in the Group’s income statement based on the monthly report of the net asset value of the Scheme. In addition, the management fees and performance fees will be accounted for and deducted from the escrow account on a regular basis, which be reflected in the net asset value of the Scheme, and Lianhua Huashang does not need to pay such fees separately. According to the Scheme and after considering the relevant factors as set out in the section headed “Reasons for and benefits of entering into the Supplemental Agreement” in the Letter from the Board in this circular, the Directors estimate that the transactions contemplated under the Supplemental Agreement do not expect to have material effect on the Group’s total assets and liabilities.

No.	Original	Amended
1.	<p>(These Articles of Association are formulated in accordance with the Prerequisite Clauses for the Articles of Association of Companies Seeking a Listing Outside the Peoples' Republic of China ("Prerequisite Clauses"), China Securities Regulatory Commission Document No. [1995]1: Opinions on Amendments to the Articles of Association of Companies Seeking a Listing in Hong Kong ("Opinions"), Proposals on Accelerating Standardized Operation of Companies Listed Overseas and Deepening Their Reforms ("Proposals") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")</p>	<p>(These Articles of Association are formulated in accordance with the Prerequisite Clauses for the Articles of Association of Companies Seeking a Listing Outside the Peoples' Republic of China ("Prerequisite Clauses"), China Securities Regulatory Commission Document No. [1995]1: Opinions on Amendments to the Articles of Association of Companies Seeking a Listing in Hong Kong ("Opinions") <u>the Company Law of the People's Republic of China ("Company Law")</u>), Proposals on Accelerating Standardized Operation of Companies Listed Overseas and Deepening Their Reforms ("Proposals") and, <u>the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and other relevant regulations</u></p>

No.	Original	Amended
2.	<p>Article 1</p> <p>The Company is a joint stock limited company established pursuant to the <i>Company Law of the People's Republic of China</i> (hereinafter referred to as the "Company Law"), the <i>Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Joint Stock Limited Companies</i> (hereinafter referred to as the "Special Provisions") and other applicable laws and administrative regulations of the People's Republic of China ("China").</p> <p>The Company was established by way of promotion under the Approval Document No: Hu Fu Ti Gai Shen(2001)028 issued by the System Reform Office of Shanghai Municipal Government. The Company was registered with the Shanghai Administration for Industry and Commerce and obtained its business license number: 3100001006267 on December 18th, 2001 and was officially established.</p> <p>The promoters of the Company are: Shanghai Friendship Group Incorporated Company ("Friendship Group", with its name changed to Shanghai Bailian Group Co., Ltd), Shanghai Industrial United (Group) Commercial Network Development Company Limited ("Shanghai Industrial Commerce", with its name changed to Shanghai Baiqing Investment Co., Ltd.), Mitsubishi Corporation ("Mitsubishi"), Wong Sun Hing Investment Company Limited ("Wong Sun Hing") and Shanghai Liding Investment Company Limited ("Shanghai Liding").</p>	<p>Article 1</p> <p>The Company is a joint stock limited company established pursuant to the <i>Company Law of the People's Republic of China</i> (hereinafter referred to as the "Company Law"), the <i>Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Joint Stock Limited Companies</i> (hereinafter referred to as the "Special Provisions") and other applicable laws and administrative regulations of the People's Republic of China ("China").</p> <p>The Company was established by way of promotion under the Approval Document No: Hu Fu Ti Gai Shen (2001) 028 issued by the System Reform Office of Shanghai Municipal Government. The Company was registered with the Shanghai Administration for Industry and Commerce and obtained its business license number <u>unified social credit code: 3100001006267 91310000607370331G</u> on December 18th, 2001 and was officially established.</p> <p>The promoters of the Company are: Shanghai Friendship Group Incorporated Company ("Friendship Group", with its name changed to Shanghai Bailian Group Co., Ltd), Shanghai Industrial United (Group) Commercial Network Development Company Limited ("Shanghai Industrial Commerce", with its name changed to Shanghai Baiqing Investment Co., Ltd. <u>Shanghai Bailian Commercial Brand Investment Co., Ltd.</u>), Mitsubishi Corporation ("Mitsubishi"), Wong Sun Hing Investment Company Limited ("Wong Sun Hing") and Shanghai Liding Investment Company Limited ("Shanghai Liding").</p>

No.	Original	Amended
3.	<p>Article 2</p> <p>The registered name of the Company is: Chinese name: 聯華超市股份有限公司 English name: Lianhua Supermarket Holdings Company Limited</p>	<p>Article 2</p> <p>The registered name of the Company is: Chinese name: 聯華超市股份有限公司 English name: Lianhua Supermarket Holdings Company Limited <u>Co.,Ltd.</u></p>
4.	<p>Article 6</p> <p>The original Articles of Association of the Company came into force on December 18th, 2001 which is the date of establishment of the Company.</p> <p>Pursuant to the <i>Company Law</i>, the <i>Special Provisions</i>, the <i>Prerequisite Clauses</i> and other applicable laws and administrative regulations, the original Articles of Association was amended by formulation and adoption of these Articles at the first shareholders' general meeting of the Company convened on January 26th, 2003.</p> <p>Upon approval by the company approval authorities authorised by the State Council, these Articles of Association shall come into force on the day when the Company's overseas-listed foreign shares (as defined in Article 20) were listed in Hong Kong. Upon coming into force of these Articles, the original Articles of Association of the Company shall be replaced.</p>	<p>Article 6</p> <p>The original Articles of Association of the Company came into force on December 18th, 2001 which is the date of establishment of the Company.</p> <p>Pursuant to the <i>Company Law</i>, the <i>Special Provisions</i>, the <i>Prerequisite Clauses</i> and other applicable laws and administrative regulations, the original Articles of Association was amended by formulation and adoption of these Articles at by <u>the first</u> shareholders' general meeting of the Company convened on January 26th, 2003.</p> <p>Upon approval by the company approval authorities authorised by the State Council, these Articles of Association shall come into force on the day when the Company's overseas-listed foreign shares (as defined in Article 20) were listed in Hong Kong. Upon coming into force of these Articles, the original Articles of Association of the Company shall be replaced.</p>
5.	<p>Article 7</p> <p>As from the effective date of these Articles of Association, these Articles of Association shall become a legally binding document governing the organisation and conduct of the Company and regulating the rights and obligations between the Company and a shareholder and among shareholders.</p>	<p>Article 7</p> <p>As from the effective date of these Articles of Association, these Articles of Association shall become a legally binding document governing the organisation and conduct of the Company and regulating the rights and obligations between the Company and a shareholder and among shareholders.</p>

No.	Original	Amended
6.	<p>Article 10</p> <p>Subject to the relevant laws and regulations, the Company has the power to raise fund or borrow money, including but not limited to the issue of shares or corporate bonds, and the power to grant guarantees for any third party, and mortgage or pledge its property, provided that no exercise of such powers mentioned above shall prejudice or abrogate any right of any class of shareholder.</p>	<p>Article 10</p> <p>Subject to the relevant laws and regulations, the Company has the power to raise fund or borrow money, including but not limited to the issue of shares or corporate bonds, and the power to grant guarantees for any third party, and mortgage or pledge its property, provided that no exercise of such powers mentioned above shall prejudice or abrogate any right of any class of shareholder.</p>
7.	<p>Article 12</p> <p>The Company may invest in other companies with limited liability and joint stock companies, and the Company shall be liable for such companies in which it has invested to the extent of the amount of its investment.</p>	<p>Article 12</p> <p>The Company may invest in other companies with limited liability and joint stock companies, and the Company shall be liable for such companies in which it has invested to the extent of the amount of its investment and/or its shares held.</p>
8.	<p>Article 15</p> <p>The scope of business of the Company shall be in accordance with the items approved by the registration authorities of the Company.</p>	<p>Article 15</p> <p>The scope of business of the Company shall be in accordance with the items approved by the registration authorities of the Company.</p>

No.	Original	Amended
	<p>The scope of business of the Company includes: wholesaling and retailing (including sale by proxy and on consignment) of household medical devices (except those in relation to “Medical Devices Enterprise Trading Permit”), electric appliances, prepackaged foods (including delicatessen and braised foods as well as chilled and frozen foods), liquor, aquatic products, non-staple food, bulk foods, ready-to-eat foods (including delicatessen and braised foods), dairy products (including infant milk powder); daily necessities, rubber products, knitting textiles, clothing, hat and shoes, furniture, craft gifts, computers, software and ancillary equipment, communication equipment; retailing of raw swine products and beef and lamb products, ready-to-eat foods made on site (cooked and processed foods, cold foods dressed with sauce, barbecued foods, bread, cakes, decorative cakes and reheated foods) (retailing business operation allowed in stores only); purchasing of agricultural by-products; engagement into the processing, grading, packaging, distribution and consultancy services, leasing of owned buildings and counters in relation to supermarkets, provision of technological services for the operation and management of commercial chain stores as well as supermarket management and agency services, as well as conducting commercial activities by means of franchising (the above-mentioned exclude the commodities subject to the State-run trade management; with regard to the commodities subject to quota and license management, make applications in accordance with the relevant regulations of the State; with regard to the commodities subject to administrative permission, operate the business based on the relevant operation permit).</p>	<p>The scope of business of the Company includes: wholesaling and retailing (including sale by proxy and on consignment) of household medical devices (except those in relation to “Medical Devices Enterprise Trading Permit”), electric appliances, prepackaged foods (including delicatessen and braised foods as well as chilled and frozen foods), liquor, aquatic products, non-staple food, bulk foods, ready-to-eat foods (including delicatessen and braised foods), dairy products (including infant milk powder); daily necessities, rubber products, knitting textiles, clothing, hat and shoes, furniture, craft gifts, computers, software and ancillary equipment, communication equipment; <u>The following are limited to branch operations: retailing of</u> raw swine products and beef and lamb products, ready-to-eat foods made on site (cooked and processed foods, cold foods dressed with sauce, barbecued foods, bread, cakes, decorative cakes and reheated foods) (retailing business operation allowed in stores only), <u>liquor, aquatic products, non-staple food</u>; purchasing of agricultural by-products; engagement into the processing, grading, packaging, distribution and consultancy services, leasing of owned buildings and counters in relation to supermarkets, provision of technological services for the operation and management of commercial chain stores as well as supermarket management and agency services, as well as conducting commercial activities by means of franchising (the above-mentioned exclude the commodities subject to the State-run trade management; with regard to the commodities subject to quota and license management, make applications in accordance with the relevant regulations of the State; with regard to the commodities subject to administrative permission, operate the business based on the relevant operation permit). <u>[Projects that must be approved according to law can only carry out business activities after being approved by relevant departments.]</u></p>

No.	Original	Amended
9.	<p>Article 17</p> <p>The Company shall have ordinary shares at all time. It may have other classes of shares according to the need of the Company and subject to the approval of the relevant company approval authorities authorised by the State Council.</p>	<p>Article 17</p> <p>The Company shall have ordinary shares at all time. It may have other classes of shares according to the need of the Company and subject to the approval <u>registration/filing</u> of the relevant company approval authorities <u>departments</u> authorised by the State Council.</p>
10.	<p>Article 19</p> <p>Subject to the approval of the competent securities authority under the State Council, the Company may issue shares to investors inside and outside China.</p> <p>The aforementioned “investors outside China” means investors in foreign countries, Hong Kong, Macau and Taiwan regions who subscribe for shares issued by the Company; and the term “investors inside China” means investors inside China, other than the abovementioned regions, who subscribe for the shares issued by the Company.</p>	<p>Article 19</p> <p>Subject to the approval <u>registration/filing</u> of the competent securities authority under the State Council <u>or other regulatory agencies</u>, the Company may issue shares to investors inside and outside China.</p> <p>The aforementioned “investors outside China” means investors in foreign countries, Hong Kong, Macau and Taiwan regions who subscribe for shares issued by the Company; and the term “investors inside China” means investors inside China, other than the abovementioned regions, who subscribe for the shares issued by the Company.</p>

No.	Original	Amended
11.	<p>Article 20</p> <p>The shares issued by the Company to investors inside China and to be subscribed for in RMB shall be referred to as “domestic shares”. Shares issued by the Company to investors outside China and to be subscribed for in foreign currencies shall be referred to as “foreign shares”.</p> <p>Domestic shares that are listed in China are referred to as domestically-listed domestic shares, and the foreign shares that are listed outside China are referred to as overseas-listed foreign shares. The foreign shares that are listed neither domestically nor abroad shall be referred to as non-listed foreign shares. For the avoidance of doubts, the expression “non-listed foreign shares” referred to herein shall not include “overseas-listed foreign shares”. All the non-listed foreign shares issued by the Company were subscribed in foreign currencies by Wong Sun Hing.</p> <p>For the purpose of these Articles, “foreign currencies” means the legal currencies other than RMB of other countries or regions that are recognized by the State’s foreign exchange administration authority which can be used to pay for subscription to the shares of the Company.</p>	<p>Article 20</p> <p>The shares issued by the Company to investors inside China and to be subscribed for in RMB shall be referred to as “domestic shares”. Shares issued by the Company to investors outside China and to be subscribed for in foreign currencies shall be referred to as “foreign shares”.</p> <p>Domestic shares that are listed in China are referred to as domestically-listed domestic shares, and the foreign shares that are listed outside China are referred to as overseas-listed foreign shares. The foreign shares that are listed neither domestically nor abroad shall be referred to as non-listed foreign shares. For the avoidance of doubts, the expression “non-listed foreign shares” referred to herein shall not include “overseas-listed foreign shares”. All the non-listed foreign shares issued by the Company were subscribed in foreign currencies by Wong Sun Hing.</p> <p>For the purpose of these Articles, “foreign currencies” means the legal currencies other than RMB of other countries or regions that are recognized by the State’s foreign exchange administration authority which can be used to pay for subscription to the shares of the Company.</p>
12.	<p>Article 25</p> <p>“The registration capital of the Company is RMB1,119,600,000 Yuan.”</p>	<p>Article 25<u>22</u></p> <p>“The registration capital of the Company is RMB1,119,600,000 Yuan.”²²</p>

No.	Original	Amended
13.	<p>Article 26</p> <p>The Company may, according to its operation and development requirements, approve capital increase in accordance with the relevant provisions of these Articles.</p> <p>The Company may increase its capital by the following methods:</p> <p>(I) offer of new shares to non-specific investors;</p> <p>(II) rights issue to existing shareholders;</p> <p>(III) distribution of new shares to existing shareholders;</p> <p>(IV) other methods permitted by laws and administrative regulations.</p> <p>The Company's increase of capital by issuing new shares shall be handled in accordance with the procedures provided for in the relevant State laws and administrative regulations upon approval in accordance with these Articles.</p>	<p>Article 26<u>23</u></p> <p>The Company may, according to its operation and development requirements, approve capital increase in accordance with the relevant provisions of these Articles.</p> <p>The Company may increase its capital by the following methods:</p> <p>(I) offer of new shares to non-specific investors<u>public offering of shares;</u></p> <p>(II) rights issue to existing shareholders<u>non-public offering of shares;</u></p> <p>(III) distribution of new <u>dividend bonus</u> shares to existing shareholders;</p> <p>(IV) <u>converting accumulation fund into capital;</u></p> <p>(V) other methods permitted by laws and, administrative regulations <u>and relevant regulatory agencies.</u></p> <p>The Company's increase of capital by issuing new shares shall be handled in accordance with the procedures provided for in the relevant State laws and administrative regulations upon approval in accordance with these Articles.</p>
14.	<p>Article 28</p> <p>Except otherwise provided by laws and administrative regulations, shares in the Company may be transferred freely without any lien.</p>	<p>Article 28<u>25</u></p> <p>Except otherwise provided by laws and administrative regulations, <u>s</u>Shares in the Company may be transferred freely without any lien <u>in accordance with law.</u></p>

No.	Original	Amended
15.	<p>Article 30</p> <p>The Company, in reducing its registered capital, must prepare a balance sheet and an inventory of property.</p> <p>The Company shall notify its creditor(s) within ten days from the date of adopting the resolution to reduce its registered capital and shall publish a public announcement of the resolution in newspapers at least three times within thirty days of the said date. The creditor(s) shall, within thirty days after receiving the notice in writing, or within ninety days of the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay its debts in full or provide a corresponding guarantee for repayment of its debts.</p> <p>The registered capital of the Company after the reduction in capital shall not be less than the minimum amount required by laws.</p>	<p>Article 30<u>27</u></p> <p>The Company, in reducing its registered capital, must prepare a balance sheet and an inventory of property.</p> <p>The Company shall notify its creditor(s) within ten days from the date of adopting the resolution to reduce its registered capital and shall publish a public announcement of the resolution in newspapers at least three times within thirty days of the said date. The creditor(s) shall, within thirty days after receiving the notice in writing, or within the first ninety forty-five days of the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay its debts in full or provide a corresponding guarantee for repayment of its debts.</p> <p>The registered capital of the Company after the reduction in capital shall not be less than the minimum amount required by laws.</p>
16.	<p>Article 31</p> <p>The Company may, in the following circumstances, repurchase its issued and outstanding shares upon the adoption of resolutions following the procedures provided in these Articles and submission to and approval by the relevant competent authorities:</p> <p>(I) cancellation of shares with the view to reduce its capital;</p> <p>(II) merger with other companies which hold shares in the Company; or</p> <p>(III) other circumstances provided by laws and administrative regulations.</p>	<p>Article 31<u>28</u></p> <p>The Company may, in the following circumstances, repurchase its issued and outstanding shares upon the adoption of resolutions following the procedures provided in these Articles and submission to and approval by the relevant competent authorities <u>shall not repurchase its own shares. however, except for one of the following situations :</u></p> <p>(I) cancellation of shares with the view to reduce its <u>registered</u> capital;</p> <p>(II) merger with other companies which hold shares in the Company; or</p> <p>(III) other circumstances provided by laws and administrative regulations. <u>Use shares for employee stock ownership plan or equity incentive;</u></p>

No.	Original	Amended
		<p>(IV) <u>shareholders demand that the Company repurchase their shares due to objections to the Company's merger or division resolution made at the shareholders' general meeting;</u></p> <p>(V) <u>use the shares to convert corporate bonds that can be converted into shares issued by the Company; and</u></p> <p>(VI) <u>maintain its value and the shareholders' rights.</u></p> <p><u>Where the Company repurchases shares of the Company under the circumstances specified in Items (I) and (II) of the preceding paragraph, it shall be decided by the shareholders' general meeting; Where the Company repurchases its shares under the circumstances specified in Items (III), (V) and (VI) of the preceding paragraph, it may pass a resolution at a board meeting attended by more than two thirds of the directors in accordance with the provisions of the Articles of Association or the authorization of the shareholders' general meeting.</u></p> <p><u>After the Company has repurchased its shares in accordance with the provisions of the first paragraph of this article, it shall be cancelled within ten days from the date of acquisition if it falls into the circumstances of item (I); In the case of items (II) and (IV), it shall be transferred or cancelled within six months; In case of items (III), (V) and (VI), the total number of shares held by the Company shall not exceed ten percent of the total issued shares of the Company, and shall be transferred or cancelled within three years.</u></p> <p><u>Where the Company repurchases its shares under the circumstances specified in Item (III), Item (V) and Item (VI) of the first paragraph of this Article, it shall do so through open centralized trading.</u></p>

No.	Original	Amended
17.	<p>Article 32</p> <p>The Company may, upon the approval of the relevant competent State authorities, repurchase its shares in any of the following manners:</p> <p>(I) making a pro rata general offer of repurchase to all its shareholders</p> <p>(II) repurchase of shares through open transactions on a securities exchange;</p> <p>(III) repurchase by an agreement outside a securities exchange.</p>	<p>Article 32<u>29</u></p> <p>The Company may, upon the approval of the relevant competent State authorities, repurchase its shares in any of the following manners:</p> <p>(I) making a pro rata general offer of repurchase to all its shareholders;</p> <p>(II) repurchase of shares through open transactions on a securities exchange;</p> <p>(III) repurchase by an agreement outside a securities exchange;</p> <p><u>(IV) other methods recognized by laws, regulations, and relevant regulatory authorities.</u></p>
18.	<p>Article 33</p> <p>Where the Company repurchases its shares by an agreement outside a securities exchange, prior approval shall be obtained at the shareholders' general meeting according to the provisions of these Articles. Upon prior approval of the shareholders' general meeting obtained in the same manner, the Company may terminate or vary the contract concluded in the manner set forth above or waive any of its rights in the contract.</p> <p>A contract to repurchase shares referred to in the above paragraph shall include (but not limited to) agreement whereby repurchase obligations are undertaken and repurchase rights are acquired.</p> <p>The Company shall not transfer the contract for the repurchase of its own shares or any of its rights thereunder.</p>	<p>Article 33<u>30</u></p> <p>Where the Company repurchases its shares by an agreement outside a securities exchange, prior approval shall be obtained at the shareholders' general meeting according to the provisions of these Articles. Upon prior approval of the shareholders' general meeting obtained in the same manner, the Company may terminate or vary the contract concluded in the manner set forth above or waive any of its rights in the contract.</p> <p>A contract to repurchase shares referred to in the above paragraph shall include (but not limited to) agreement whereby repurchase obligations are undertaken and repurchase rights are acquired.</p> <p>The Company shall not transfer the contract for the repurchase of its own shares or any of its rights thereunder.</p>

No.	Original	Amended
19.	<p>Article 34</p> <p>After the Company has repurchased its shares in accordance with law, the Company shall cancel the portion of shares repurchased within the period prescribed by laws and administrative regulations and shall apply to the original company registration authorities for registration of the changes in registered capital.</p> <p>The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.</p> <p>After completion of the reduction in the registered capital of the Company and changes in registration with the company registration authority, a public announcement shall be made.</p>	<p>Article 343431</p> <p>After the Company has repurchased its shares in accordance with law, <u>involving the cancellation of shares</u>, the Company shall cancel the portion of shares repurchased within the period prescribed by laws and administrative regulations and shall apply to the original company registration authorities for registration of the changes in registered capital.</p> <p>The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.</p> <p>After completion of the reduction in the registered capital of the Company and changes in registration with the company registration authority, a public announcement shall be made.</p>
20.	<p>Article 35</p> <p>Unless the Company is in the course of liquidation, the Company shall comply with the following provisions in repurchasing its issued and outstanding shares:</p> <p>(I) Where the Company repurchases its shares at par value, payments for such shares shall be deducted from the book balance of distributable profits and/or from the proceeds of a fresh share issue made for the repurchase of the old shares.</p> <p>(II) Where the Company repurchases its shares at a premium to the par value, the portion equivalent to their par value shall be deducted from the book balance of distributable profits and/or from the proceeds of any fresh share issue made for the repurchase of the old shares; the portion in excess of the par value shall be handled according to the following methods:</p>	<p>Article 35(The entire article is deleted)</p> <p>Unless the Company is in the course of liquidation, the Company shall comply with the following provisions in repurchasing its issued and outstanding shares: (I) Where the Company repurchases its shares at par value, payments for such shares shall be deducted from the book balance of distributable profits and/or from the proceeds of a fresh share issue made for the repurchase of the old shares.</p> <p>(II) Where the Company repurchases its shares at a premium to the par value, the portion equivalent to their par value shall be deducted from the book balance of distributable profits and/or from the proceeds of any fresh share issue made for the repurchase of the old shares; the portion in excess of the par value shall be handled according to the following methods:-</p>

No.	Original	Amended
	<p>(1) where the shares repurchased were issued at their par value, the amount shall be deducted from the book balance of distributable profits:</p> <p>(2) where the shares repurchased were issued at a premium to the par value, the amount shall be deducted from the book balance of distributable profits and/or the proceeds of a fresh share issue made to repurchase the old shares, provided that the amount deducted from the proceeds of the fresh share issue may not exceed the premium obtained at the time of the issue of the old shares nor may it exceed the amount in the Company's premium account or capital common reserve account (as the case may be) (including the premium from the fresh share issue) at the time of the repurchase;</p> <p>(III) The sum paid by the Company for the following purposes shall be paid out of the Company's distributable profits:</p> <p>(1) acquisition of the right to repurchase its shares;</p> <p>(2) variation of any contract to repurchase its own shares;</p> <p>(3) release from any of its obligations under a repurchase contract.</p>	<p>(1) where the shares repurchased were issued at their par value, the amount shall be deducted from the book balance of distributable profits:-</p> <p>(2) where the shares repurchased were issued at a premium to the par value, the amount shall be deducted from the book balance of distributable profits and/or the proceeds of a fresh share issue made to repurchase the old shares, provided that the amount deducted from the proceeds of the fresh share issue may not exceed the premium obtained at the time of the issue of the old shares nor may it exceed the amount in the Company's premium account or capital common reserve account (as the case may be) (including the premium from the fresh share issue) at the time of the repurchase;-</p> <p>(HH) The sum paid by the Company for the following purposes shall be paid out of the Company's distributable profits:-</p> <p>(1) >acquisition of the right to repurchase its shares;-</p> <p>(2) variation of any contract to repurchase its own shares;-</p> <p>(3) release from any of its obligations under a repurchase contract.-</p>

No.	Original	Amended
	(IV) After the total face value of the cancelled shares has been deducted from the registered capital of the Company according to relevant regulations, the amount deducted from the distributable profits of the Company that is used for share repurchase at par value shall be included in the premium account or the capital common reserve account (as the case may be) of the Company.	(IV) After the total face value of the cancelled shares has been deducted from the registered capital of the Company according to relevant regulations, the amount deducted from the distributable profits of the Company that is used for share repurchase at par value shall be included in the premium account or the capital common reserve account (as the case may be) of the Company.
21.	<p>Article 36</p> <p>The Company or its subsidiaries shall not, at any time provide any financial assistance in any manner to a person who is purchasing or proposing to purchase shares in the Company. The “person” referred to in the above includes any person who directly or indirectly assumes a liability as a result of the purchase of the Company’s shares.</p> <p>The Company or its subsidiaries shall not, at any time provide any financial assistance in any form to the above-mentioned obligors in order to reduce or discharge their obligations. The provisions of this Article shall not apply to the circumstances described in Article 38 hereof.</p>	<p>Article <u>3632</u></p> <p>The Company or its subsidiaries <u>(including its affiliated enterprises)</u> shall not, at any time provide any financial assistance in any manner to a person who is purchasing or proposing to purchase shares in the Company <u>through gifts, advances, guarantees, compensations, or loans.</u> The “person” referred to in the above includes any person who directly or indirectly assumes a liability as a result of the purchase of the Company’s shares.</p> <p>The Company or its subsidiaries shall not, at any time provide any financial assistance in any form to the above-mentioned obligors in order to reduce or discharge their obligations.</p> <p>The provisions of this Article shall not apply to the circumstances described in Article 38 hereof.</p>

No.	Original	Amended
22.	<p>Article 37</p> <p>For the purpose of this Chapter, “financial assistance” shall include (but not limited to) the following manners:</p> <p>(I) given as a gift;</p> <p>(II) given by way of guarantee (including the provision of an undertaking of liability or provisions of property by the guarantor as security for the performance of the obligation by the obligor), indemnity (excluding, however, indemnity arising out of the Company’s fault), and by way of release or waiver of rights;</p> <p>(III) provision of a loan or conclusion of a contract under which the Company is required to perform obligations prior to any other party, or a change in the parties to such loans or contract, and the assignment of rights under such loans or contract;</p> <p>(IV) provision of financial assistance in any other manner when the Company is insolvent, or has no net assets, or when such assistance would result in a substantial reduction in its net assets.</p> <p>For the purpose of this Chapter, the term “undertaking obligations” shall include the undertaking of obligations by an obligor as a result of the conclusion of a contract or making an arrangement (whether or not such contracts or arrangements are enforceable and whether or not such obligation is undertaken by the obligor individually or jointly with any other person), or by changing its financial position in any other manner.</p>	<p>Article 37(The entire article is deleted)</p> <p>For the purpose of this Chapter, “financial assistance” shall include (but not limited to) the following manners:</p> <p>(I) given as a gift;</p> <p>(II) given by way of guarantee (including the provision of an undertaking of liability or provisions of property by the guarantor as security for the performance of the obligation by the obligor), indemnity (excluding, however, indemnity arising out of the Company’s fault), and by way of release or waiver of rights;</p> <p>(III) provision of a loan or conclusion of a contract under which the Company is required to perform obligations prior to any other party, or a change in the parties to such loans or contract, and the assignment of rights under such loans or contract;</p> <p>(IV) provision of financial assistance in any other manner when the Company is insolvent, or has no net assets, or when such assistance would result in a substantial reduction in its net assets.</p> <p>For the purpose of this Chapter, the term “undertaking obligations” shall include the undertaking of obligations by an obligor as a result of the conclusion of a contract or making an arrangement (whether or not such contracts or arrangements are enforceable and whether or not such obligation is undertaken by the obligor individually or jointly with any other person), or by changing its financial position in any other manner.</p>

No.	Original	Amended
23.	<p>Article 38</p> <p>The following acts shall not be regarded as acts prohibited under Article 36 of this Chapter:</p> <p>(I) The financial assistance provided by the Company is truthfully for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares in the Company, or the financial assistance is an incidental part of an overall plan of the Company;</p> <p>(II) The Company distributes its property in the form of dividends according to laws;</p> <p>(III) distribution of dividends in the form of shares;</p> <p>(IV) reduction of registered capital, repurchases of shares or shareholding restructuring, etc in accordance with these Articles;</p> <p>(V) provision of a loan by the Company within its scope of business and in the ordinary course of its business (provided that such loans shall not lead to a reduction in the net assets of the Company, or if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits);</p> <p>(VI) The Company provides money for an employee stock ownership scheme (provided that the same shall not result in a reduction in the net assets of the Company, or if the same constitutes a reduction, the financial assistance shall be paid out of the Company's distributable profits).</p>	<p>Article 38(The entire article is deleted)</p> <p>The following acts shall not be regarded as acts prohibited under Article 36 of this Chapter:-</p> <p>(I) The financial assistance provided by the Company is truthfully for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares in the Company, or the financial assistance is an incidental part of an overall plan of the Company;-</p> <p>(II) The Company distributes its property in the form of dividends according to laws;-</p> <p>(III) distribution of dividends in the form of shares;-</p> <p>(IV) reduction of registered capital, repurchases of shares or shareholding restructuring, etc in accordance with these Articles;-</p> <p>(V) provision of a loan by the Company within its scope of business and in the ordinary course of its business (provided that such loans shall not lead to a reduction in the net assets of the Company, or if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits);-</p> <p>(VI) The Company provides money for an employee stock ownership scheme (provided that the same shall not result in a reduction in the net assets of the Company, or if the same constitutes a reduction, the financial assistance shall be paid out of the Company's distributable profits).-</p>

No.	Original	Amended
24.	<p>Article 41</p> <p>The Company shall keep a register of shareholders in which the following particulars shall be recorded:</p> <p>(I) the name, address (residence), occupation or nature of each shareholder;</p> <p>(II) the class and number of shares held by each shareholder;</p> <p>(III) the amount paid or payable for the shares held by each shareholder;</p> <p>(IV) the serial number of shares held by each shareholder;</p> <p>(V) the date on which each person was entered in the register as a shareholder; and</p> <p>(VI) the date on which each shareholder ceases to be a shareholder.</p> <p>The register of shareholders shall be adequate evidence of the holding of the Company's shares by a shareholder, unless there is evidence to the contrary.</p>	<p>Article 4135</p> <p>The Company shall keep <u>establish</u> a register of shareholders in which the following particulars shall be recorded; <u>based on the vouchers provided by the securities registration agency.</u></p> <p>(I) the name, address (residence), occupation or nature of each shareholder;</p> <p>(II) the class and number of shares held by each shareholder;</p> <p>(III) the amount paid or payable for the shares held by each shareholder;</p> <p>(IV) the serial number of shares held by each shareholder;</p> <p>(V) the date on which each person was entered in the register as a shareholder; and</p> <p>(VI) the date on which each shareholder ceases to be a shareholder.</p> <p>The register of shareholders shall be adequate evidence of the holding of the Company's shares by a shareholder; unless there is evidence to the contrary.</p>

No.	Original	Amended
25.	<p>Article 42</p> <p>The Company may, according to the understanding or agreement reached between the competent securities authority under the State Council and a securities regulatory authority outside China, keep a register of shareholders of its overseas-listed foreign shares outside China and appoint an agent outside China for the administration of such register. The original register of overseas-listed foreign shares that are listed in Hong Kong shall be kept in Hong Kong.</p> <p>The Company shall keep at its domicile a duplicate copy of the register of shareholders of overseas-listed foreign shares. The appointed agent outside China shall ensure that the original register of shareholders of foreign shares listed outside China and its duplicate copy are consistent at any time.</p> <p>When the original and duplicate of the register of shareholders of foreign shares listed outside china are inconsistent, the original shall prevail.</p>	<p>Article 42(The entire article is deleted)</p> <p>The Company may, according to the understanding or agreement reached between the competent securities authority under the State Council and a securities regulatory authority outside China, keep a register of shareholders of its overseas-listed foreign shares outside China and appoint an agent outside China for the administration of such register. The original register of overseas-listed foreign shares that are listed in Hong Kong shall be kept in Hong Kong.</p> <p>The Company shall keep at its domicile a duplicate copy of the register of shareholders of overseas-listed foreign shares. The appointed agent outside China shall ensure that the original register of shareholders of foreign shares listed outside China and its duplicate copy are consistent at any time.</p> <p>When the original and duplicate of the register of shareholders of foreign shares listed outside china are inconsistent, the original shall prevail.</p>

No.	Original	Amended
26.	<p>Article 43</p> <p>The Company shall keep a complete register of shareholders.</p> <p>The register of shareholders shall include the following sections:</p> <p>(I) the register of shareholders kept at the Company's domicile other than that specified in paragraphs (II) and (III) of this Article;</p> <p>(II) the register of shareholders of the Company's overseas-listed foreign shares kept at the place where the stock exchange having the shares listed overseas is located;</p> <p>(III) the register of shareholders kept at other places decided by the Board as necessary for the listing of the Company's shares.</p>	<p>Article 43(The entire article is deleted)</p> <p>The Company shall keep a complete register of shareholders.</p> <p>The register of shareholders shall include the following sections:</p> <p>(I) the register of shareholders kept at the Company's domicile other than that specified in paragraphs (II) and (III) of this Article;</p> <p>(II) the register of shareholders of the Company's overseas-listed foreign shares kept at the place where the stock exchange having the shares listed overseas is located;</p> <p>(III) the register of shareholders kept at other places decided by the Board as necessary for the listing of the Company's shares.</p>
27.	<p>Article 44</p> <p>The various parts of the register of shareholders shall not overlap. The transfer of shares registered in a certain part of the register of shareholders shall not, during the existence of the registration of such shares, be registered in any other part of the register.</p> <p>Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the laws of the places where each part is kept.</p>	<p>Article 44(The entire article is deleted)</p> <p>The various parts of the register of shareholders shall not overlap. The transfer of shares registered in a certain part of the register of shareholders shall not, during the existence of the registration of such shares, be registered in any other part of the register.</p> <p>Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the laws of the places where each part is kept.</p>

No.	Original	Amended
28.	<p>Article 45</p> <p>All fully paid overseas-listed foreign shares that are listed in Hong Kong may be transferred freely pursuant to these Articles, provided that, the Board may, without giving any reason therefor, decline to recognize any instrument of transfer unless the following conditions are fulfilled:</p> <p>(I) payment of a fee in the sum HK\$2.5 (for each instrument of transfer) or other fees as are required from time to time by the Board have been paid (provided that such fee shall not exceed the maximum amount prescribed from time to time by the Listing Rules of the Hong Kong Stock Exchange), to be used for the registration of instruments for the transfer of shares and other documents related to or having influence on the ownership of such shares;</p> <p>(II) The instrument of transfer only covers overseas-listed foreign shares that are listed in Hong Kong;</p> <p>(III) The stamp duty on the instrument of transfer due has been paid up;</p> <p>(IV) the relevant share certificates or other evidence required reasonably by the Board to prove the transferor's right to transfer such shares are duly provided;</p> <p>(V) If shares are transferred to joint shareholders, the number of such joint shareholders shall be no more than four;</p> <p>(VI) The Company has no lien on such shares to be transferred;</p> <p>(VII) Such transfer may be completed by an instrument of transfer in the standard form prescribed by the Hong Kong Stock Exchange or in any other form accepted by the Board. Such instrument of transfer shall become effective upon the personal or printing signature of both the transferor and transferee (s).</p>	<p>Article 45(The entire article is deleted)</p> <p>All fully paid overseas-listed foreign shares that are listed in Hong Kong may be transferred freely pursuant to these Articles, provided that, the Board may, without giving any reason therefor, decline to recognize any instrument of transfer unless the following conditions are fulfilled:-</p> <p>(I) payment of a fee in the sum HK\$2.5 (for each instrument of transfer) or other fees as are required from time to time by the Board have been paid (provided that such fee shall not exceed the maximum amount prescribed from time to time by the Listing Rules of the Hong Kong Stock Exchange), to be used for the registration of instruments for the transfer of shares and other documents related to or having influence on the ownership of such shares;-</p> <p>(II) The instrument of transfer only covers overseas-listed foreign shares that are listed in Hong Kong;-</p> <p>(III) The stamp duty on the instrument of transfer due has been paid up;-</p> <p>(IV) the relevant share certificates or other evidence required reasonably by the Board to prove the transferor's right to transfer such shares are duly provided;-</p> <p>(V) If shares are transferred to joint shareholders, the number of such joint shareholders shall be no more than four;-</p> <p>(VI) The Company has no lien on such shares to be transferred;-</p> <p>(VII) Such transfer may be completed by an instrument of transfer in the standard form prescribed by the Hong Kong Stock Exchange or in any other form accepted by the Board. Such instrument of transfer shall become effective upon the personal or printing signature of both the transferor and transferee (s).-</p>

No.	Original	Amended
29.	<p>Article 46</p> <p>No registration of any change in the register of shareholders arising from a transfer of share shall be effected within 30 days before the holding of a shareholders' general meeting or within 5 days prior to the reference date set by the Company for the distribution of dividends.</p>	<p>Article 46(The entire article is deleted)</p> <p>No registration of any change in the register of shareholders arising from a transfer of share shall be effected within 30 days before the holding of a shareholders' general meeting or within 5 days prior to the reference date set by the Company for the distribution of dividends.</p>
30.	<p>Article 49</p> <p>Any shareholder who is registered in the register of shareholders or requires his name to be entered into the register of shareholders may apply to the Company for issuance of a replacement certificate in respect of such shares ("Relevant Shares") if his share certificate ("Original Share Certificate") is lost.</p> <p>Application for the replacement of share certificates from holders of domestic shares and non-listed foreign shares who have lost their certificates shall be dealt with in accordance with the provisions of Article 143 of the <i>Company Law</i>.</p> <p>Applications for the replacement of share certificates from holders of overseas-listed foreign shares who have lost their certificates may be dealt with in accordance with the laws, securities exchange regulations and other relevant regulations at the place where the original register of shareholders of overseas-listed foreign shares is kept.</p> <p>Where shareholders of overseas-listed foreign shares listed in Hong Kong apply for replacement of their share certificates in the case of loss of such certificates, such replacement shall comply with the following requirements:</p>	<p>Article 49<u>38</u></p> <p>Any shareholder who is registered in the register of shareholders or requires his name to be entered into the register of shareholders may apply to the Company for issuance of a replacement certificate in respect of such shares ("Relevant Shares") if his share certificate ("Original Share Certificate") is lost.</p> <p>Application for the replacement of share certificates from holders of domestic shares and non-listed foreign shares who have lost their certificates shall be dealt with in accordance with the provisions of Article 143 of the <i>Company Law</i>.</p> <p>Applications for the replacement of share certificates from holders of overseas-listed foreign shares who have lost their certificates may be dealt with in accordance with the laws, securities exchange regulations and other relevant regulations at the place where the original register of shareholders of overseas-listed foreign shares is kept.</p> <p>Where shareholders of overseas-listed foreign shares listed in Hong Kong apply for replacement of their share certificates in the case of loss of such certificates, such replacement shall comply with the following requirements:</p>

No.	Original	Amended
	<p>(I) The applicant shall submit the application in the standard form prescribed by the Company accompanied by a notarial certificate or statutory statements. The notarial certificate or statutory statements shall include the applicant's reason for application, the circumstances and proof of the loss of the share certificate and declaration that no other person may require registration as a shareholder in respect of the relevant shares;</p> <p>(II) The Company shall not have received any declaration requiring registration as a shareholder in respect of the shares from any person other than the applicant before it decides to issue a replacement share certificate;</p> <p>(III) If the Company decides to issue a new replacement share certificates to the applicant, it shall publish a public announcement of its intention to do so in the newspapers or periodicals designated by the Board; the period of the public announcement shall be 90 days during which the announcement shall be published repeatedly at least once every 30 days.</p> <p>(IV) Before publishing the public announcement of its intention to issue a replacement share certificate, the Company shall submit a copy of the announcement to be published to the securities exchange where it is listed and may proceed with publication after having received a reply from the securities exchange confirming that the announcement has been displayed in the securities exchange. The Company shall display the public announcement in the securities exchange for a period of 90 days.</p>	<p>(I) The applicant shall submit the application in the standard form prescribed by the Company accompanied by a notarial certificate or statutory statements. The notarial certificate or statutory statements shall include the applicant's reason for application, the circumstances and proof of the loss of the share certificate and declaration that no other person may require registration as a shareholder in respect of the relevant shares;</p> <p>(II) The Company shall not have received any declaration requiring registration as a shareholder in respect of the shares from any person other than the applicant before it decides to issue a replacement share certificate;</p> <p>(III) If the Company decides to issue a new replacement share certificates to the applicant, it shall publish a public announcement of its intention to do so in the newspapers or periodicals designated by the Board; the period of the public announcement shall be 90 days during which the announcement shall be published repeatedly at least once every 30 days.</p> <p>(IV) Before publishing the public announcement of its intention to issue a replacement share certificate, the Company shall submit a copy of the announcement to be published to the securities exchange where it is listed and may proceed with publication after having received a reply from the securities exchange confirming that the announcement has been displayed in the securities exchange. The Company shall display the public announcement in the securities exchange for a period of 90 days.</p>

No.	Original	Amended
	<p>If the application for reissuance of replacement share certificates was made without the consent of the registered shareholders of the relevant shares, the Company shall deliver by mail to such shareholders a copy of the public announcement that it intends to publish.</p> <p>(V) Upon the expiration of the 90-day period of public announcement and display specified in items (III) and (IV) of this Article, if no objection to the issuance of a replacement share certificate is received by the Company from any person, a new replacement share certificate may be issued according to the application of the applicant;</p> <p>(VI) When the Company issues a new replacement share certificate according to the provisions of this Article, it shall immediately cancel the original certificate and record such cancellation and the issuance of the new replacement share certificate in the register of shareholders.</p> <p>(VII) All expenses of the Company for the cancellation of the original share certificate and the issuance of new replacement share certificate shall be paid by the applicant. The Company shall have the power to refuse to take any action until the applicant has provided reasonable security in respect of the payment of such fees.</p> <p>(VIII) The newspapers and periodicals for the publication of the announcement relating to the issuance of new replacement share mentioned in item (III) of this Article shall include at least a Chinese newspaper and an English newspaper published in Hong Kong.</p>	<p>If the application for reissuance of replacement share certificates was made without the consent of the registered shareholders of the relevant shares, the Company shall deliver by mail to such shareholders a copy of the public announcement that it intends to publish.</p> <p>(V) Upon the expiration of the 90-day period of public announcement and display specified in items (III) and (IV) of this Article, if no objection to the issuance of a replacement share certificate is received by the Company from any person, a new replacement share certificate may be issued according to the application of the applicant;</p> <p>(VI) When the Company issues a new replacement share certificate according to the provisions of this Article, it shall immediately cancel the original certificate and record such cancellation and the issuance of the new replacement share certificate in the register of shareholders.</p> <p>(VII) All expenses of the Company for the cancellation of the original share certificate and the issuance of new replacement share certificate shall be paid by the applicant. The Company shall have the power to refuse to take any action until the applicant has provided reasonable security in respect of the payment of such fees.</p> <p>(VIII) The newspapers and periodicals for the publication of the announcement relating to the issuance of new replacement share mentioned in item (III) of this Article shall include at least a Chinese newspaper and an English newspaper published in Hong Kong.</p>

No.	Original	Amended
31.	<p>Article 52</p> <p>The Company's shareholders are persons lawfully holding shares of the Company and whose names are registered on the register of shareholders.</p> <p>A shareholder shall enjoy rights and assume obligations according to the class and number of shares held by them. Shareholders of the same class shall enjoy equal rights and assume the same obligations.</p>	<p>Article 5241</p> <p>The Company's shareholders are persons lawfully holding shares of the Company and whose names are registered on the register of shareholders.</p> <p><u>Each share of the same class shall have the same rights.</u></p> <p><u>For the same class of shares issued at the same time, the issuance conditions and prices of each share shall be the same; Any unit or individual shall pay the same price for each share subscribed.</u></p> <p>A shareholder shall enjoy rights and assume obligations according to the class and number of shares held by them. Shareholders of the same class shall enjoy equal rights and assume the same obligations.</p>
32.	<p>Article 53</p> <p>When two or more persons are registered as joint shareholders in respect of any share, such persons shall be deemed as joint holders of such shares, but shall be subject to the following terms and restrictions:</p> <p>(I) The Company shall not register more than four persons as the joint holders of any shares;</p> <p>(II) All joint holders of any shares shall jointly or separately pay all sums in respect of such shares;</p>	<p>Article 5342</p> <p>When two or more persons are registered as joint shareholders in respect of any share, such persons shall be deemed as joint holders of such shares, but shall be subject to the following terms and restrictions:</p> <p>(I) The Company shall not register more than four persons as the joint holders of any shares;</p> <p>(II) All joint holders of any shares shall jointly or separately pay all sums in respect of such shares;</p>

No.	Original	Amended
	<p>(III) If any person among the joint holders of any shares dies, other joint holders of such shares shall be deemed to be entitled to such shares. In this case, the Board shall have the right to ask for any death certificate in relation to the deceased as it thinks fit in order to make alternation to the relevant register of shareholders; and</p> <p>(IV) With regard to joint holders of any shares, only the holder whose name stands first in the register of shareholders shall have the right to receive share certificates and notices, be present at shareholders' general meetings, or exercise all voting rights in respect of the shares. Any notice by the Company addressed to such holder shall be deemed to be delivered to all joint holders of the shares concerned.</p>	<p>(III) If any person among the joint holders of any shares dies, other joint holders of such shares shall be deemed to be entitled to such shares. In this case, the Board shall have the right to ask for any death certificate in relation to the deceased as it thinks fit in order to make alternation to the relevant register of shareholders; and</p> <p>(IV) With regard to joint holders of any shares, only the holder whose name stands first in the register of shareholders shall have the right to receive share certificates and notices, be present at shareholders' general meetings, or exercise all voting rights in respect of the shares. Any notice by the Company addressed to such holder shall be deemed to be delivered to all joint holders of the shares concerned.</p> <p><u>When the Company convenes a shareholders' general meeting, distributes dividends, liquidates, or engages in other activities that require confirmation of shareholder identity, the Board or the convener of the shareholders' general meeting shall determine the equity registration date. Shareholders registered after the closure of the stock market on the equity registration date shall be shareholders who enjoy relevant rights and interests.</u></p>

No.	Original	Amended
33.	<p>Article 54</p> <p>The holders of ordinary shares of the Company shall enjoy the following rights:</p> <p>(I) to receive dividends and other forms of profit distribution on the basis of the number of shares held by them;</p> <p>(II) to be present at and exercise voting rights at shareholders' general meetings in person or by proxy;</p> <p>(III) to supervise and manage the business activities of the Company, and to make suggestions and raise queries;</p> <p>(IV) to transfer shares in accordance with the provisions of laws, administrative regulations, and these Articles;</p> <p>(V) to obtain relevant information in accordance with the provisions of these Articles, including:</p> <p>(1) to receive these Articles upon payment of charges at cost;</p> <p>(2) being entitled to access and make copies, upon payment of reasonable charges, of:</p> <p>(i) all parts of the registers of shareholders;</p> <p>(ii) personal information on the directors, supervisors, managers and other senior management officers of the Company, including:</p> <ul style="list-style-type: none"> • Current and previous names and aliases; • Main address (residential); • Nationality; • Full-time and all other part-time occupations and duties; • Identification documents and their numbers; 	<p>Article 545443</p> <p>The holders of ordinary shares of the Company shall enjoy the following rights:</p> <p>(I) to receive dividends and other forms of profit distribution on the basis of the number of shares held by them;</p> <p>(II) to be present at and exercise speaking and voting rights at shareholders' general meetings in person or by proxy;</p> <p>(III) to supervise and manage the business activities of the Company, and to make suggestions and raise queries;</p> <p>(IV) to transfer shares in accordance with the provisions of laws, administrative regulations, and these Articles;</p> <p>(V) to obtain relevant information in accordance with the provisions of these Articles, including:</p> <p>(1) to receive these Articles upon payment of charges at cost;</p> <p>(2) being entitled to access and make copies, upon payment of reasonable charges, of:</p> <p>(i) all parts of the registers of shareholders;</p> <p>(ii) personal information on the directors, supervisors, managers and other senior management officers of the Company, including:</p> <ul style="list-style-type: none"> • Current and previous names and aliases; • Main address (residential); • Nationality; • Full-time and all other part-time occupations and duties; • Identification documents and their numbers;

No.	Original	Amended
	<p>(iii) the status of the Company's share capital;</p> <p>(iv) reports of the aggregate par value, number of shares, and highest and lowest prices of each class of shares repurchased by the Company since the last fiscal year as well as all the expenses paid by the Company therefor; and</p> <p>(v) the minutes of shareholders' meetings.</p> <p>(VI) participate in the distribution of the residual property of the Company on the basis of the number of shares held by them when the Company is terminated or liquidated;</p> <p>(VII) other rights conferred by laws, administrative regulations and these Articles.</p>	<p>(iii) the status of the Company's share capital;</p> <p>(iv) reports of the aggregate par value, number of shares, and highest and lowest prices of each class of shares repurchased by the Company since the last fiscal year as well as all the expenses paid by the Company therefor; and</p> <p>(v) the minutes of shareholders' meetings to review the Articles of Association of the Company, register of shareholders (the Hong Kong branch of the register of shareholders must be available for shareholders to inspect, but may allow the Company to suspend shareholder registration procedures on terms equivalent to Article 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), corporate bond stubs, minutes of shareholders' general meetings, resolutions of the Board, Supervisors, and publicly disclosed financial and accounting reports).</p> <p>(VI) participate in the distribution of the residual property of the Company on the basis of the number of shares held by them when the Company is terminated or liquidated;</p> <p>(VII) other rights conferred by laws, administrative regulations and these Articles.</p>

No.	Original	Amended
34.	<p>Article 55</p> <p>The holders of ordinary shares of the Company shall have the following obligations:</p> <p>(I) to abide by these Articles of the Company;</p> <p>(II) to pay subscription monies in respect of the shares they have subscribed for and in accordance with the method of subscription;</p> <p>(III) other obligations as imposed by laws, administrative regulations, and these Articles.</p> <p>Shareholders shall, other than the conditions agreed upon at the time of subscription, not be liable to make any further contribution to share capital thereafter.</p>	<p>Article 5544</p> <p>The holders of ordinary shares of the Company shall have the following obligations:</p> <p>(I) to abide by these Articles of the Company;</p> <p>(II) to pay subscription monies in respect of the shares they have subscribed for and in accordance with the method of subscription;</p> <p>(III) other obligations as imposed by laws, administrative regulations, and these Articles.</p> <p>Shareholders shall, other than the conditions agreed upon at the time of subscription, not be liable to make any further contribution to share capital thereafter.</p>
35.	<p>Article 59</p> <p>The shareholders' general meeting shall exercise the following powers:</p> <p>(I) to decide on the Company's business policies and investment plans;</p> <p>(II) to elect and replace directors and decide on matters concerning their remunerations;</p> <p>(III) to elect and replace the supervisors who are to be appointed from among the shareholders' representatives and decide on matters concerning their remunerations;</p> <p>(IV) to examine and approve reports of the Board;</p>	<p>Article 5948</p> <p>The shareholders' general meeting shall exercise the following powers:</p> <p>(I) to decide on the Company's business policies and investment plans;</p> <p>(II) to elect and replace directors <u>who are not staff representatives</u> and decide on matters concerning their remunerations;</p> <p>(III) to elect and replace the supervisors who are to be appointed from among the shareholders' representatives <u>not staff representatives</u> and decide on matters concerning their remunerations;</p> <p>(IV) to examine and approve reports of the Board;</p>

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	<p>(V) to examine and approve reports of the Supervisory Committee;</p> <p>(VI) to examine and approve the Company's annual financial budgets and final accounts proposals;</p> <p>(VII) to examine and approve the Company's profit distribution plan and plan for recovery of losses;</p> <p>(VIII) to pass resolutions concerning the increase or reduction of the Company's registered capital;</p> <p>(IX) to pass resolution on matters such as the merger, split-up, dissolution or liquidation of the Company;</p> <p>(X) to pass resolution on the issuance of bonds by the Company;</p> <p>(XI) to pass resolution on the appointment, dismissal or termination of appointment of an accounting firm;</p> <p>(XII) to amend these Articles of the Company.</p> <p>(XIII) to examine and deliberate on the proposals put forward by shareholders representing more than five per cent(including five percent) shares with voting rights;</p> <p>(XIV) other matters required by the provisions of laws, administrative regulations and these Articles to be resolved at shareholders' general meetings.</p>	<p>(V) to examine and approve reports of the Supervisory Committee;</p> <p>(VI) to examine and approve the Company's annual financial budgets and final accounts proposals;</p> <p>(VII) to examine and approve the Company's profit distribution plan and plan for recovery of losses;</p> <p>(VIII) to pass resolutions concerning the increase or reduction of the Company's registered capital;</p> <p>(IX) to pass resolution on matters such as the merger, split-up, dissolution or₂ liquidation <u>or change of company form</u> of the Company;</p> <p>(X) to pass resolution on the issuance of bonds by the Company;</p> <p>(XI) to pass <u>ordinary</u> resolution on the appointment, dismissal or termination of appointment of an accounting firm;</p> <p>(XII) to amend these Articles of the Company.</p> <p>(XIII) to examine and deliberate on the proposals put forward by shareholders representing more than five <u>three</u> per cent (including five <u>three</u> percent) shares with voting rights;</p> <p>(XIV) other matters required by the provisions of laws, administrative regulations and these Articles to be resolved at shareholders' general meetings.</p>

No.	Original	Amended
36.	<p>Article 61</p> <p>The shareholders' general meetings consist of annual general meetings and extraordinary general meetings and shall be convened by the Board. An annual general meeting of shareholders shall be convened once a year, and shall be held within six months after the end of every fiscal year.</p> <p>The Board shall convene an extraordinary shareholders' meeting within two months of the occurrence of one of the following circumstances:</p> <p>(I) the number of directors is less than the number provided by the <i>Company Law</i> or less than two-thirds prescribed by these Articles;</p> <p>(II) the losses of the Company that have not been made up reach one third of the total share capital;</p> <p>(III) shareholders holding more than ten per cent (including ten per cent) of the voting shares issued by the Company require in writing an extraordinary shareholders' general meeting to be convened;</p> <p>(IV) the Board considers that there is a need or the Supervisory Committee proposes a meeting.</p>	<p>Article 6150</p> <p>The shareholders' general meetings consist of annual general meetings and extraordinary general meetings and shall be convened by the Board. An annual general meeting of shareholders shall be convened once a year, and shall be held within six months after the end of every fiscal year.</p> <p>The Board shall convene an extraordinary shareholders' <u>general</u> meeting within two months of the occurrence of one of the following circumstances:</p> <p>(I) the number of directors is less than the number provided by the <i>Company Law</i> or less than two-thirds prescribed by these Articles;</p> <p>(II) the losses of the Company that have not been made up reach one third of the total <u>paid-up</u> share capital;</p> <p>(III) shareholders holding more than ten per cent (including ten per cent) of the voting shares issued by the Company require in writing an extraordinary shareholders' general meeting to be convened at the request of <u>shareholders who individually or collectively hold more than ten percent of the Company's shares;</u></p> <p>(IV) the Board considers that there is a need or the Supervisory Committee proposes a meeting;</p> <p>(V) <u>other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles of Association.</u></p>

No.	Original	Amended
37.	<p>Article 62</p> <p>When a shareholders’ general meeting is to be held by the Company, notice shall be given to shareholders forty-five days before the meeting in writing. The matters to be transacted at the meeting and the date and place of the meeting shall be notified to shareholders whose names are on the register. The shareholders who wish to attend the general meeting shall have their written replies delivered to the Company at least twenty days before the general meeting is convened.</p> <p>The notice of a shareholders’ general meeting to be convened by the Company shall be given not more than sixty days before the meeting.</p> <p>The period of a notice shall be counted as clear days excluding the day when a general meeting is convened and the day when the notice is given.</p> <p>For the purpose of the notice given under this Article, the date of notice given shall be the postmark date when the Company or the share registration office authorized by the Company delivers the notice to the postal service, and not the date set forth in Article 195 when a shareholder is deemed to have received the notice.</p>	<p>Article 62<u>51</u></p> <p>When a <u>an annual</u> shareholders’ general meeting is to be held by the Company, notice shall be given to shareholders forty-five <u>twenty</u> days before the meeting in writing. <u>When a shareholder’ extraordinary general meeting is to be held by the Company, notice shall be given to shareholders fifteen days before the meeting in writing</u> The matters to be transacted at the meeting and the date and place of the meeting shall be notified to shareholders whose names are on the register. The shareholders who wish to attend the general meeting shall have their written replies delivered to the Company at least twenty days before the general meeting is convened.</p> <p>The notice of a shareholders’ general meeting to be convened by the Company shall be given not more than sixty days before the meeting.</p> <p>The period of a notice shall be counted as clear days excluding the day when a general meeting is convened and the day when the notice is given.</p> <p>For the purpose of the notice given under this Article, the date of notice given shall be the postmark date when the Company or the share registration office authorized by the Company delivers the notice to the postal service, and not the date set forth in Article 195 when a shareholder is deemed to have received the notice.</p>

No.	Original	Amended
38.	<p>Article 63</p> <p>When the Company is to convene an annual general meeting of shareholders, shareholders holding more than five per cent (including five per cent) of the Company's total voting shares shall be entitled to move new motions in writing to the Company. The Company shall include into the agenda of the meeting the matters in the motions that fall within the scope of duties of the shareholders' general meeting, provided that such motions shall be served on the Company within forty days after the date of notice of the meeting hereinabove mentioned.</p>	<p>Article 63<u>52</u></p> <p>When the Company is to convene an annual general meeting of shareholders, shareholders holding more than five <u>five three</u> percent (including five <u>five three</u> percent) of the Company's total voting shares shall be entitled to move new motions in writing to the Company. The Company shall include into the agenda of the meeting the matters in the motions that fall within the scope of duties of the shareholders' general meeting, provided that such motions shall be served on <u>delivered to</u> the Company within forty days after the date of notice of the meeting hereinabove mentioned <u>ten days before the shareholders' general meeting.</u></p>
39.	<p>Article 64</p> <p>The Company shall, based on the written replies received twenty days prior to a general meeting of shareholders, calculate the number of voting shares represented by the shareholders intending to be present at the meeting. If the number of voting shares represented by the shareholders intending to be present at the meeting is more than half of the total number of the Company's voting shares, the Company may convene a shareholders' general meeting. If not, the Company shall within five days inform shareholders once again of the matters to be transacted at the meeting and the date and place of the general meeting in the form of a public announcement, upon which, the Company may convene the general meeting of shareholders.</p> <p>Extraordinary general meetings of shareholders shall not decide on the matters not specified in the notice.</p>	<p>Article 64<u>53</u></p> <p>The Company shall, based on the written replies received twenty days prior to a general meeting of shareholders, calculate the number of voting shares represented by the shareholders intending to be present at the meeting. If the number of voting shares represented by the shareholders intending to be present at the meeting is more than half of the total number of the Company's voting shares, the Company may convene a shareholders' general meeting. If not, the Company shall within five days inform shareholders once again of the matters to be transacted at the meeting and the date and place of the general meeting in the form of a public announcement, upon which, the Company may convene the general meeting of shareholders.</p> <p><u>Extraordinary Shareholders'</u> general meetings shall not decide on the matters not specified in the notice.</p>

No.	Original	Amended
40.	<p>Article 66</p> <p>All notices of shareholders' general meetings shall be delivered by person or by post with postage pre-paid to all shareholders whose names were entered on the register on the date of registration (whether or not entitled to vote thereat) and to the addresses recorded in the register of shareholders.</p> <p>For holders of domestic shares and non-listed foreign shares, the notice may also be given by public announcement.</p> <p>The public announcement mentioned in the previous Article shall be published on one or more newspapers or periodicals designated by the securities regulatory authority under the State Council during the period between forty five to fifty days before the convention of the meeting. Once the public announcement is made, all holders of domestic shares and non-listed foreign shares shall be deemed to have received the notice of relevant shareholders' meeting.</p>	<p>Article 66<u>55</u></p> <p>All notices of shareholders' general meetings shall be delivered by person or by post with postage pre-paid to all shareholders whose names were entered on the register on the date of registration (whether or not entitled to vote thereat) and to the addresses recorded in the register of shareholders. <u>The notice of the shareholders' general meeting issued to the shareholders of overseas listed foreign shares may also be published through the designated website of the Hong Kong Stock Exchange and the Company's website. Once it is announced, it is deemed that all shareholders of overseas listed shares have received the notice of the shareholders' general meeting.</u></p> <p>For holders of domestic shares and non-listed foreign shares, the <u>above-mentioned</u> notice may also be given by public announcement.</p> <p>The public announcement mentioned in the previous Article shall be published on one or more newspapers or periodicals designated by the securities regulatory authority under the State Council during the period between forty five to fifty days before the convention of the meeting. Once the public announcement is made, all holders of domestic shares and non-listed foreign shares shall be deemed to have received the notice of relevant shareholders' meeting.</p>

No.	Original	Amended
41.	<p>Article 68</p> <p>Any shareholder entitled to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (who need not be shareholders) as his proxies to attend and vote for and on his behalf. The proxy or proxies may exercise the following rights according to his appointment by the shareholder:</p> <p>(I) the right of the shareholder to speak at the shareholders' general meeting;</p> <p>(II) the right to demand a poll by himself or in conjunction with others;</p> <p>(III) to vote by hand or on a poll, provided that the proxy of a shareholder who has appointed more than one proxy may only vote on a poll.</p>	<p>Article 68<u>57</u></p> <p>Article 68</p> <p>Any shareholder <u>(including Hong Kong Securities Clearing Company Limited)</u> entitled to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (who need not be shareholders) as his proxies to attend and vote for and on his behalf. The proxy or proxies may exercise the following rights according to his appointment by the shareholder:</p> <p>(I) the right of the shareholder to speak at the shareholders' general meeting;</p> <p>(II) the right to demand a poll by himself or in conjunction with others;</p> <p>(III) to vote by hand or on a poll, provided that the proxy of a shareholder who has appointed more than one proxy may only vote on a poll.</p>
42.	<p>Article 70</p> <p>The instrument appointing a voting proxy shall be placed at the Company's domicile or such other place as specified in the notice of the meeting at least twenty four hours prior to the time of the meeting at which the proxy is authorised to vote. Where such instrument is signed by another person authorized by the appointer, the power of attorney or other instrument authorising the signature shall be notarized. The notarized power of attorney or other authorizing document shall be placed together with the instrument appointing the voting proxy at the domicile of the Company or at such other place as specified in the notice of the meeting.</p>	<p>Article 70<u>59</u></p> <p>The instrument appointing a voting proxy shall be placed at the Company's domicile or such other place as specified in the notice of the meeting at least twenty four hours prior to the time of the meeting at which the proxy is authorised to vote. Where such instrument is signed by another person authorized by the appointer, the power of attorney or other instrument authorising the signature shall be notarized. The notarized power of attorney or other authorizing document shall be placed together with the instrument appointing the voting proxy at the domicile of the Company or at such other place as specified in the notice of the meeting.</p>

No.	Original	Amended
	<p>Where the appointer is a legal person, its legal representative or the person authorised by resolution of its board of directors or other decision-making body shall be entitled to attend the Company's shareholders' meetings as the representative of such legal person.</p> <p>If the shareholder in question is a recognized clearing house (hereinafter referred to as "recognized clearing house") defined from time to time in the relevant clauses of Hong Kong laws or the proxy of the clearing house, it may appoint one or more person(s) as it thinks fit to act as its representative(s) at any shareholders' general meeting or any class meeting. However, if more than one proxy are appointed, the instruments of proxy shall specify the number and class of shares that each proxy represents. Such duly-authorized persons may represent the recognized clearinghouse (or its proxy) to exercise the same powers as if he/she is an individual shareholder of the Company.</p>	<p>Where the appointer is a legal person, its legal representative or the person authorised by resolution of its board of directors or other decision-making body shall be entitled to attend the Company's shareholders' meetings as the representative of such legal person.</p> <p>If the shareholder in question is a recognized clearing house (hereinafter referred to as "recognized clearing house") defined from time to time in the relevant clauses of Hong Kong laws or the proxy of the clearing house, it may appoint one or more person(s) as it thinks fit to act as its representative(s) at any shareholders' general meeting or any class meeting <u>creditor's meeting</u>. However, if more than one proxy are appointed, the instruments of proxy shall specify the number and class of shares that each proxy represents. Such duly-authorized persons may represent the recognized clearinghouse (or its proxy) to exercise the same powers as if he/she is an individual shareholder of the Company.</p>
43.	<p>Article 73</p> <p>The resolutions of shareholders' general meetings are divided into ordinary resolutions and special resolutions.</p> <p>An ordinary resolution of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders (including proxies) present at the meeting exercised in favour of the resolution.</p> <p>A special resolution of the shareholders' general meeting shall be adopted more than two thirds of the voting rights held by the shareholders (including proxies hereof) present at the meeting exercised in favour of the resolution.</p>	<p>Article 73<u>62</u></p> <p>The resolutions of shareholders' general meetings are divided into ordinary resolutions and special resolutions.</p> <p>An ordinary resolution of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders (including proxies) present at the meeting exercised in favour of the resolution.</p> <p>A special resolution of the shareholders' general meeting shall be adopted more than two thirds of the voting rights held by the shareholders (including proxies hereof) present at the meeting exercised in favour of the resolution.</p>

No.	Original	Amended
	<p>For the purpose of this Article, if any shareholder (or its proxy), while casting votes on a resolution, abstains from voting or fails to exercise his/her voting rights in respect of the shares he/she holds, such votes shall not be counted into the total votes of the shareholders present at the shareholders' general meeting with regard to the specific resolution under consideration.</p>	<p>For the purpose of this Article, if any shareholder (or its proxy), while casting votes on a resolution, abstains from voting or fails to exercise his/her voting rights in respect of the shares he/she holds, <u>or the Listing Rules restrict any shareholder from voting for (or against) a certain resolution.</u> such votes shall not be counted into the total votes of the shareholders present at the shareholders' general meeting with regard to the specific resolution under consideration <u>If there is any violation of relevant regulations or restrictions.</u></p>
44.	<p>Article 74</p> <p>On a poll, shareholders (including proxies) shall cast votes based on the number of voting shares that they represent at a shareholders' general meeting. Each such share shall have one vote.</p> <p>Provided that all voting shall be subject to any privilege or restriction attached to the voting rights of any specific class of shares.</p>	<p>Article 7463</p> <p>On a poll, shareholders (including proxies) shall cast votes based on the number of voting shares that they represent at a shareholders' general meeting. Each such share shall have one vote.</p> <p>Provided that all voting shall be subject to any privilege or restriction attached to the voting rights of any specific class of shares.</p>

No.	Original	Amended
45.	<p>Article 75</p> <p>Unless a poll is demanded by the following persons before or after a show of hands, the shareholders' general meeting shall vote by a show of hands:</p> <p>(I) by the chairman of the meeting;</p> <p>(II) by at least two shareholders with voting rights present in person or by proxies;</p> <p>(III) by one or more shareholders (including proxies) holding shares alone or jointly representing more than ten per cent(including ten per cent) of the shares with voting rights present at the meeting.</p> <p>Unless a poll is demanded, the chairman of the meeting shall announce whether the proposal has been adopted according to the results of the vote by a show of hands, and such results shall be recorded in the minutes of the meeting. An entry to that effect in the minutes shall be conclusive evidence in respect of the votes, without having to prove the number or proportion of the votes in favour or against the resolution adopted at the meeting. A demand for a poll may be withdrawn by the person who demanded it.</p>	<p>Article 75<u>64</u></p> <p>Unless a poll is demanded by the following persons before or after a show of hands, the shareholders' general meeting shall vote by a show of hands:</p> <p>(I) by the chairman of the meeting;</p> <p>(II) by at least two shareholders with voting rights present in person or by proxies;</p> <p>(III) by one or more shareholders (including proxies) holding shares alone or jointly representing more than ten per cent(including ten per cent) of the shares with voting rights present at the meeting.</p> <p>Unless a poll is demanded, the chairman of the meeting shall announce whether the proposal has been adopted according to the results of the vote by a show of hands, and such results shall be recorded in the minutes of the meeting. An entry to that effect in the minutes shall be conclusive evidence in respect of the votes, without having to prove the number or proportion of the votes in favour or against the resolution adopted at the meeting. A demand for a poll may be withdrawn by the person who demanded it.</p> <p><u>Unless the chairman makes a decision in good faith and allows the resolution on purely procedural or administrative matters to be voted by a show of hands, any voting made by shareholders at the shareholders' general meeting must be conducted by voting.</u></p>

No.	Original	Amended
46.	<p>Article 76</p> <p>If the demand for a poll is on the election of the chairman or on an adjournment of the meeting, a poll shall be taken forthwith. If a poll is demanded on any other matter, such poll shall be taken at the time decided upon by the chairman, and the meeting may proceed with the discussion of other matters; the result of the poll shall still be deemed to be a resolution adopted at that meeting. The result of the poll shall be announced as early as possible.</p>	<p>Article 76<u>665</u></p> <p>If the demand for a poll is on the election of the chairman or on an adjournment of the meeting, a poll shall be taken forthwith. If a poll is demanded on any other matter, such poll shall be taken at the time decided upon by the chairman, and the meeting may proceed with the discussion of other matters; the result of the poll shall still be deemed to be a resolution adopted at that meeting.The result of the poll shall be announced as early as possible.</p>

No.	Original	Amended
47.	<p>Article 79</p> <p>The following matters shall be resolved by ordinary resolutions at the shareholders' general meetings:</p> <p>(I) the work reports of the Board and the Supervisory Committee;</p> <p>(II) the profit distribution plans and loss recovery plans formulated by the Board;</p> <p>(III) the removal of the members of the Board and the Supervisory Committee, their remuneration, and methods of payment of their remuneration,</p> <p>(IV) the annual budget, final accounts, balance sheet, profit statement and other financial statements of the Company;</p> <p>(V) other matters other than those prescribed by laws, administrative regulations, or these Articles to be passed by special resolutions.</p> <p>The remuneration set forth in the above item (III) shall include (but be not limited to) the compensation payable to any director or supervisor at the time of his/her removal as director or supervisor or retirement.</p>	<p>Article 7968</p> <p>The following matters shall be resolved by ordinary resolutions at the shareholders' general meetings:</p> <p>(I) the work reports of the Board and the Supervisory Committee;</p> <p>(II) the profit distribution plans and loss recovery plans formulated by the Board;</p> <p>(III) the removal of the members of the Board and the Supervisory Committee, their remuneration, and methods of payment of their remuneration,</p> <p>(IV) the annual budget <u>plan</u>, and final accounts <u>plan</u>, balance sheet, profit statement and other financial statements of the Company;</p> <p><u>(V) annual report of the Company;</u></p> <p>(VVI) other matters other than those prescribed by laws, administrative regulations, or these Articles to be passed by special resolutions.</p> <p>The remuneration set forth in the above item (III) shall include (but be not limited to) the compensation payable to any director or supervisor at the time of his/her removal as director or supervisor or retirement.</p> <p><u>Regarding the election of each director and/or supervisor, each candidate for director and supervisor shall submit a single proposal.</u></p>

No.	Original	Amended
48.	<p>Article 80</p> <p>The following matters shall be resolved by special resolutions at a shareholders' general meetings:</p> <p>(I) the increase or reduction of the Company's share capital and the issue of any class of shares, warrants and other similar securities;</p> <p>(II) the issue of corporate bonds;</p> <p>(III) the split-up, merger, dissolution and liquidation of the Company;</p> <p>(IV) the amendments to these Articles;</p> <p>(V) other matters that are resolved at the shareholders' general meeting by ordinary resolutions and are considered by the shareholders to be material to the Company that are required to be passed by special resolutions.</p>	<p>Article 80<u>69</u></p> <p>The following matters shall be resolved by special resolutions at a shareholders' general meetings:</p> <p>(I) the increase or reduction <u>decrease of registered capital</u> of the Company's share capital and the issue of any class of shares, warrants and other similar securities;</p> <p>(II) the issue of corporate bonds;</p> <p>(III) the split-up, merger, dissolution and liquidation of the Company;</p> <p>(IV) the amendments to these Articles;</p> <p><u>(IV) changes in the rights attached to the relevant class of shares when there are already outstanding shares in the Company (approval by special resolution of shareholders holding the relevant class of shares is required)</u>;</p> <p>(V) other matters that <u>stipulated by laws, administrative regulations, listing rules or the Articles of Association, as well as those</u> are resolved at the shareholders' general meeting by ordinary resolutions and are considered by the shareholders to be material to the Company that are required to be passed by special resolutions.</p>

No.	Original	Amended
49.	<p>Article 81</p> <p>Shareholders demanding the convening of an extraordinary shareholders' general meeting or a class meeting shall proceed in accordance with the following procedures:</p> <p>(I) Two or more shareholders holding more than ten per cent (including ten per cent) of the voting rights at the proposed meeting may submit one or more written request(s) of identical form and substance requesting the Board to convene an extraordinary shareholders' general meeting or a class meeting and stating the business to be transacted at the meeting. The Board shall, upon receiving the aforesaid written request(s), convene an extraordinary shareholders' general meeting or class meeting as soon as possible. The shareholding mentioned in the above shall be calculated as at the date on which the written request is made.</p> <p>(II) If the Board fails to issue a notice of the convention of any meeting herein above-mentioned within thirty days after having received the written request, the requesting shareholders may themselves convene such meetings within four months after the Board received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' meetings are to be convened by the Board.</p>	<p>Article 81<u>70</u></p> <p>Shareholders demanding the convening of an extraordinary shareholders' general meeting or a class meeting shall proceed in accordance with the following procedures:</p> <p>(I) Two or more s<u>Shareholders who individually or collectively hold holding</u> more than ten per cent (including ten per cent) of the voting rights at the proposed meeting may submit one or more written request(s) of identical form and substance requesting have the right to request the Board to convene an extraordinary shareholders' general meeting or a class meeting and stating the business to be transacted at the meeting, which shall be submitted to the Board in writing. The Board shall, upon receiving the aforesaid written request(s) in accordance with laws, administrative regulations and the Articles of Association, <u>give written feedback on whether to agree or disagree to</u> convene an extraordinary shareholders' general meeting or class meeting as soon as possible within ten days after receiving the request. The shareholding mentioned in the above shall be calculated as at the date on which the written request is made.</p> <p><u>If the Board agrees to convene an shareholders' extraordinary general meeting, it shall issue a notice on the convening of the shareholders' general meeting within five days after the resolution of the Board is made, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.</u></p>

No.	Original	Amended
	<p>Where shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.</p>	<p>(II) If the Board fails to issue a notice of the convention of any meeting herein above-mentioned within thirty days after having received the written request, the requesting shareholders may themselves convene such meetings within four months after the Board received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders' meetings are to be convened by the Board <u>If the Board does not agree to convene an shareholders' extraordinary general meeting or fails to provide feedback within ten days after receiving the request, shareholders who individually or collectively hold more than ten percent of the company's shares have the right to propose to the Supervisory Committee to convene an shareholders' extraordinary general meeting and shall submit a request in writing to the board of supervisors.</u></p> <p><u>If the Supervisory Committee agrees to convene an shareholder's extraordinary general meeting, it shall issue a notice of convening the shareholders' general meeting within five days of receiving the request. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.</u></p>

No.	Original	Amended
		<p><u>(III) If the Supervisory Committee fails to issue a notice of the shareholders' general meeting within the prescribed time limit, it shall be deemed that the Supervisory Committee has not convened and presided over the shareholders' general meeting, and shareholders who individually or collectively hold more than ten percent of the company's shares for more than 90 consecutive days may convene and preside over it on their own.</u></p> <p>Where shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.</p>
50.	<p>Article 82</p> <p>Shareholders' general meeting shall be convened and presided over by the chairman of the Board. Where the chairman of the Board is unable to attend the meeting for any reason, the meeting shall be convened and presided over by the vice chairman of the Board. Where both the chairman and vice chairman are unable to attend the meeting, the Board may appoint a director of the Company to convene and preside over the meeting on his/her behalf. Where no chairman of the meeting is appointed, the shareholders present at the meeting may elect one person to be the chairman. If for any reason, the shareholders are unable to elect a chairman, the shareholder(including proxy)holding the largest number of voting shares present at the meeting shall preside over the meeting.</p>	<p>Article 8271</p> <p>Shareholders' general meeting shall be convened and presided over by the chairman of the Board. Where the chairman of the Board is unable to attend the meeting for any reason, the meeting shall be convened and presided over by the vice chairman of the Board. Where both the chairman and vice chairman are unable to attend the meeting, the Board may appoint a director of the Company jointly elected by more than half of the directors may to convene and preside over the meeting on his/her behalf <u>and serve as the chairman of the meeting.</u> Where no chairman of the meeting is appointed, the shareholders present at the meeting may elect one person to be the chairman. If for any reason, the shareholders are unable to elect a chairman, the shareholder (including proxy) holding the largest number of voting shares present at the meeting shall preside over the meeting.</p>

No.	Original	Amended
51.	<p>Article 83</p> <p>The chairman of the meeting shall be responsible for deciding whether or not a resolution of the shareholders' general meeting has been passed. The decision of the chairman shall be final and shall be announced at the meeting and recorded in the minutes of the meeting.</p>	<p>Article 83<u>72</u></p> <p>The chairman of the meeting shall <u>announce the voting status and results of each proposal, be responsible for deciding and decide</u> whether or not a resolution of the shareholders' general meeting has been passed. The decision of the chairman shall be final and shall be announced at the meeting and recorded in the minutes of the meeting.</p>
52.	<p>Chapter X Special Voting Procedures for Class Shareholder</p>	<p>Chapter X Special Voting Procedures for Class Shareholder</p> <p>(The entire chapter is deleted)</p>
53.	<p>Article 87</p> <p>The holders of different classes of shares are class shareholders. All class shareholders shall enjoy rights and assume obligations according to the provisions of laws, administrative regulations and these Articles.</p>	<p>Article 87(The entire article is deleted)</p> <p>The holders of different classes of shares are class shareholders. All class shareholders shall enjoy rights and assume obligations according to the provisions of laws, administrative regulations and these Articles.</p>
54.	<p>Article 88</p> <p>Any variation or abrogation of the class rights of a class of shareholders shall be approved by special resolutions of shareholders' general meeting and passed at the shareholders' general meetings convened by the affected class shareholders in accordance with Articles 90 to 94.</p>	<p>Article 88(The entire article is deleted)</p> <p>Any variation or abrogation of the class rights of a class of shareholders shall be approved by special resolutions of shareholders' general meeting and passed at the shareholders' general meetings convened by the affected class shareholders in accordance with Articles 90 to 94.</p>
55.	<p>Article 89</p> <p>The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class of shareholder:</p> <p>(I) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having equal or more voting rights, rights to distribution or other privileges than such class of shares;</p>	<p>Article 89(The entire article is deleted)</p> <p>The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class of shareholder:</p> <p>(I) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having equal or more voting rights, rights to distribution or other privileges than such class of shares;</p>

No.	Original	Amended
	(II) to convert all or part of shares of such class in to shares of other class(es), or convert all or part of any other class of shares into such class of shares, or confer aforesaid conversion rights;	(H) to convert all or part of shares of such class in to shares of other class(es), or convert all or part of any other class of shares into such class of shares, or confer aforesaid conversion rights;
	(III) to cancel or decrease such rights contained in the class of shares as receiving accrued dividends or cumulative dividends generated from such class of shares;	(HH) to cancel or decrease such rights contained in the class of shares as receiving accrued dividends or cumulative dividends generated from such class of shares;
	(IV) to reduce or remove the preferential rights to receive dividends in respect of such class of shares or pre-emptive rights to property distribution in the course of liquidation;	(IV) to reduce or remove the preferential rights to receive dividends in respect of such class of shares or pre-emptive rights to property distribution in the course of liquidation;
	(V) to increase, cancel or reduce the conversion rights, option rights, voting rights, transfer rights, preferential allotment rights and the rights to acquire the securities of the Company contained in such class of shares;	(V) to increase, cancel or reduce the conversion rights, option rights, voting rights, transfer rights, preferential allotment rights and the rights to acquire the securities of the Company contained in such class of shares;
	(VI) to cancel or reduce such rights contained in the class of shares to receive amounts payable by the Company in designated currencies;	(VI) to cancel or reduce such rights contained in the class of shares to receive amounts payable by the Company in designated currencies;
	(VII) to create a new class of shares having voting or distribution rights or other privileges equal or superior to such class of shares;	(VII) to create a new class of shares having voting or distribution rights or other privileges equal or superior to such class of shares;
	(VIII) to restrict or impose additional restrictions on the transfer or ownership of such class of shares;	(VIII) to restrict or impose additional restrictions on the transfer or ownership of such class of shares;
	(IX) to issue rights to subscribe for, or convert into, shares of such class or another class;	(IX) to issue rights to subscribe for, or convert into, shares of such class or another class;

No.	Original	Amended
	<p>(X) to increase the rights and privileges of any other class of shares;</p> <p>(XI) to restructure the Company where the proposed restructuring will result in different classes of shareholders assuming a disproportionate liability in the restructuring of the Company;</p> <p>(XII) to amend or nullify any terms of these Articles.</p>	<p>(X) to increase the rights and privileges of any other class of shares;</p> <p>(XI) to restructure the Company where the proposed restructuring will result in different classes of shareholders assuming a disproportionate liability in the restructuring of the Company;</p> <p>(XII) to amend or nullify any terms of these Articles.</p>
56.	<p>Article 90</p> <p>Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders’ general meeting, shall have the right to vote at class meetings in respect of matters referred to in Items (II)-(VIII), (XI)-(XII) of Article 89, except that interested shareholders shall not have the right to vote at class meetings.</p> <p>For the purpose of the preceding paragraph, the term “interested shareholder” shall have the following meanings:</p> <p>(I) In the event that the Company makes a repurchase offer to all shareholders in equal proportions according to the provisions of Article 32 herein, or repurchases its own shares through open transactions on a securities exchange, the “interested shareholder” shall be the controlling shareholder as defined in Article 57 herein.</p> <p>(II) In the event that subject to the provisions of Article 32 herein, the Company repurchases its shares by agreement outside the designated securities exchange, an “interested shareholder” means the shareholder to which the agreement relates</p>	<p>Article 90(The entire article is deleted)</p> <p>Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders’ general meeting, shall have the right to vote at class meetings in respect of matters referred to in Items (II)-(VIII), (XI)-(XII) of Article 89, except that interested shareholders shall not have the right to vote at class meetings.</p> <p>For the purpose of the preceding paragraph, the term “interested shareholder” shall have the following meanings:</p> <p>(I) In the event that the Company makes a repurchase offer to all shareholders in equal proportions according to the provisions of Article 32 herein, or repurchases its own shares through open transactions on a securities exchange, the “interested shareholder” shall be the controlling shareholder as defined in Article 57 herein.</p> <p>(II) In the event that subject to the provisions of Article 32 herein, the Company repurchases its shares by agreement outside the designated securities exchange, an “interested shareholder” means the shareholder to which the agreement relates</p>

No.	Original	Amended
	(III) In the Company's restructuring scheme, "interested shareholder" means a shareholder who assumes liability in a proportion smaller than other shareholders of the same class or who has an interest in an restructuring scheme of the Company that is different from other shareholders in respect of such class of shares	(III) In the Company's restructuring scheme, "interested shareholder" means a shareholder who assumes liability in a proportion smaller than other shareholders of the same class or who has an interest in an restructuring scheme of the Company that is different from other shareholders in respect of such class of shares
57.	<p>Article 91</p> <p>Subject to Article 90, any resolution at a class meeting shall be passed by more than two thirds of the voting rights by the shareholders of that class present at the class meeting.</p> <p>For the purpose of the preceding paragraph, if any shareholder (or proxy), while casting votes on a resolution, abstains from voting or does not exercise voting rights in respect of the shares he/she holds, such votes shall not be counted into the total votes of the shareholders present at the class meeting (with regard to the specific resolution under consideration).</p>	<p>Article 91(The entire article is deleted)</p> <p>Subject to Article 90, any resolution at a class meeting shall be passed by more than two thirds of the voting rights by the shareholders of that class present at the class meeting.</p> <p>For the purpose of the preceding paragraph, if any shareholder (or proxy), while casting votes on a resolution, abstains from voting or does not exercise voting rights in respect of the shares he/she holds, such votes shall not be counted into the total votes of the shareholders present at the class meeting (with regard to the specific resolution under consideration).</p>
58.	<p>Article 92</p> <p>When a class meeting is to be held, the Company shall give notice forty five days in advance in writing to all registered shareholders of that class, of the matters to be transacted at the meeting, and the date and place of the meeting. The shareholders who intend to attend the class meeting shall have their written replies delivered to the Company at least twenty days before the meeting is convened.</p>	<p>Article 92(The entire article is deleted)</p> <p>When a class meeting is to be held, the Company shall give notice forty five days in advance in writing to all registered shareholders of that class, of the matters to be transacted at the meeting, and the date and place of the meeting. The shareholders who intend to attend the class meeting shall have their written replies delivered to the Company at least twenty days before the meeting is convened.</p>

No.	Original	Amended
	<p>Where the number of shares carrying voting rights to vote at the meeting represented by the holders intending to be present at the meeting reaches more than half of the total number of shares of such class with voting rights, the Company may convene the class meeting. If not, the Company shall within five days inform the class shareholders again of the matters proposed to be considered at the meeting and the date and place of the meeting by public announcement, upon which, the Company may convene the class meeting.</p>	<p>Where the number of shares carrying voting rights to vote at the meeting represented by the holders intending to be present at the meeting reaches more than half of the total number of shares of such class with voting rights, the Company may convene the class meeting. If not, the Company shall within five days inform the class shareholders again of the matters proposed to be considered at the meeting and the date and place of the meeting by public announcement, upon which, the Company may convene the class meeting.</p>
59.	<p>Article 93</p> <p>The notice of a class meeting need only be served on shareholders entitled to vote at such meeting.</p> <p>Any class meeting shall, as far as possible, follow the procedures of the general meetings. Provisions of these Articles relevant to procedures for the holding of a shareholders' general meeting shall apply to class meetings.</p>	<p>Article 93(The entire article is deleted)</p> <p>The notice of a class meeting need only be served on shareholders entitled to vote at such meeting.</p> <p>Any class meeting shall, as far as possible, follow the procedures of the general meetings. Provisions of these Articles relevant to procedures for the holding of a shareholders' general meeting shall apply to class meetings.</p>
60.	<p>Article 94</p> <p>Save and except for the holders of other classes of shares, the shareholders of domestic shares and non-listed foreign shares shall be deemed as the same class, but they shall be deemed to be of different classes from the holders of overseas-listed foreign shares.</p>	<p>Article 94(The entire article is deleted)</p> <p>Save and except for the holders of other classes of shares, the shareholders of domestic shares and non-listed foreign shares shall be deemed as the same class, but they shall be deemed to be of different classes from the holders of overseas-listed foreign shares.</p>

No.	Original	Amended
	<p>The special procedures for voting at a class meeting shall not apply to the following circumstances:</p> <p>(I) where the Company issues, upon approval by a special resolution of the shareholders' general meeting, either separately or concurrently once every twelve months, domestic shares and overseas-listed foreign shares, provided that the number of such shares to be issued shall not exceed twenty per cent of the issued and outstanding shares of such class;</p> <p>(II) where the Company's plan to issue domestic shares and overseas-listed foreign shares upon establishment is completed within fifteen months from the date of approval by the securities regulatory authorities under the State Council.</p>	<p>The special procedures for voting at a class meeting shall not apply to the following circumstances:</p> <p>(I) where the Company issues, upon approval by a special resolution of the shareholders' general meeting, either separately or concurrently once every twelve months, domestic shares and overseas-listed foreign shares, provided that the number of such shares to be issued shall not exceed twenty per cent of the issued and outstanding shares of such class;</p> <p>(II) where the Company's plan to issue domestic shares and overseas-listed foreign shares upon establishment is completed within fifteen months from the date of approval by the securities regulatory authorities under the State Council.</p>
61.	<p>Article 96</p> <p>All directors shall be elected at shareholders' general meetings, whose tenure shall be three years commencing from the day when he/she is elected. Upon the expiration of the tenure, any director may be re-elected. A director shall not be removed from his/her office by the shareholders' general meeting before expiration of his/her tenure without reasons.</p> <p>The intention to nominate a director and the written notice of a nominee to indicate his/her willingness to accept the nomination shall be delivered to the Company no earlier than the next day after the dispatch of the notice of the shareholders' general meeting and no later than seven days prior to the date of such general meeting.</p>	<p>Article 96<u>77</u></p> <p>All directors shall be elected <u>or replaced</u> at shareholders' general meetings, whose <u>each</u> tenure shall be three years commencing from the day when he/she is elected. Upon the expiration of the tenure, any director may be re-elected. A director shall not be removed from his/her office by the shareholders' general meeting before expiration of his/her tenure without reasons <u>If there are special provisions in the listing rules or laws and regulations of the place where the company's shares are listed, such provisions shall prevail.</u></p> <p>The intention to nominate a director and the written notice of a nominee to indicate his/her willingness to accept the nomination shall be delivered to the Company no earlier than the next day after the dispatch of the notice of the shareholders' general meeting and no later than seven days prior to the date of such general meeting.</p>

No.	Original	Amended
	<p>Any executive director shall enter into a service contract with the Company, pursuant to which, either default party shall be held liable for breach of contract. The effective term of such service contract shall be three years and may be extended in accordance with law. Any non-executive director or independent non-executive director shall sign confirmation of appointment with the Company.</p> <p>Directors need not hold any share in the Company.</p> <p>The chairman and vice chairman of the Board shall be appointed or removed from office by more than half of all directors. The term of office of the chairman and vice chairman is three years and may be renewed upon re-election.</p> <p>Subject to applicable laws and administrative regulations, a general meeting of shareholders may pass any special resolution to remove any director whose term is still effective, including any director who in the meantime serves as a manager or other management positions of the Company, provided that such removal shall not be prejudicial to any claim for compensation in accordance with any contract.</p> <p>Any director may serve concurrently as a manager or other senior management officer of the Company (except as a supervisor).</p> <p>The Board shall have the power to appoint any person either to fill in the casual vacancy on the Board or as an addition to the existing Board. Any director thus appointed shall hold office until the next annual general meeting of shareholders after his/her appointment and be eligible for re-election at such meeting.</p>	<p>Any executive director shall enter into a service contract with the Company, pursuant to which, either default party shall be held liable for breach of contract. The effective term of such service contract shall be three years and may be extended in accordance with law. Any non-executive director or independent non-executive director shall sign confirmation of appointment with the Company.</p> <p>Directors need not hold any share in the Company.</p> <p>The chairman and vice chairman of the Board shall be appointed or removed from office by more than half of all directors. The term of office of the chairman and vice chairman is three years and may be renewed upon re-election.</p> <p>Subject to applicable laws and administrative regulations, a general meeting of shareholders may pass any special <u>ordinary</u> resolution to remove any director whose term is still effective, including any director who in the meantime serves as a manager or other management positions of the Company, provided that such removal shall not be prejudicial to any claim for compensation in accordance with any contract.</p> <p>Any director may serve concurrently as a manager or other senior management officer of the Company (except as a supervisor).</p> <p>The Board shall have the power to appoint any person either to fill in the casual vacancy on the Board or as an addition to the existing Board. Any director thus appointed shall hold office until the next annual general meeting of shareholders after his/her appointment and be eligible for re-election at such meeting.</p>

No.	Original	Amended
62.	<p>Article 97</p> <p>The Board shall be accountable to the shareholders' general meetings and shall exercise the following powers:</p> <p>(I) to convene shareholders' general meetings and present reports thereto;</p> <p>(II) to implement the resolutions adopted at the shareholders' general meetings;</p> <p>(III) to decide on the business plans and investment plans of the Company;</p> <p>(IV) to formulate the Company's annual financial budget and final accounts;</p> <p>(V) to formulate the Company's profit distribution plans and loss recovery plans;</p> <p>(VI) to formulate the Company's plans on the increase or reduction of registered capital and the issue of corporate bonds;</p> <p>(VII) to formulate the Company's plans on merger, split-up and dissolution;</p> <p>(VIII) to decide on the establishment of the Company's internal management organisation;</p> <p>(IX) to appoint or dismiss the manager of the Company; upon the nomination of the manager, to appoint or dismiss any deputy manager and financial officer; and to decide on their remuneration;</p> <p>(X) to establish the Company's basic management system;</p>	<p>Article 9778</p> <p>The Board shall be accountable to the shareholders' general meetings and shall exercise the following powers:</p> <p>(I) to convene shareholders' general meetings and present reports thereto;</p> <p>(II) to implement the resolutions adopted at the shareholders' general meetings;</p> <p>(III) to decide on the business plans and investment plans of the Company;</p> <p>(IV) to formulate the Company's annual financial budget and final accounts;</p> <p>(V) to formulate the Company's profit distribution plans and loss recovery plans;</p> <p>(VI) to formulate the Company's plans on the increase or reduction of registered capital and the issue of corporate bonds;</p> <p>(VII) to formulate the Company's plans on merger, split-up and, dissolution and <u>change of company form</u>;</p> <p>(VIII) to decide on the establishment of the Company's internal management organisation;</p> <p>(IX) to appoint or dismiss the manager of the Company; upon the nomination of the manager, to appoint or dismiss any deputy manager and, financial officer <u>and other senior management personnel according to the manager's nomination</u>; and to decide on their remuneration, <u>rewards and punishments</u>;</p> <p>(X) to establish the Company's basic management system;</p>

No.	Original	Amended
	<p>(XI) to formulate proposal for the amendments to the Company’s Articles of Association;</p> <p>(XII) to draw up major acquisition or sale schemes of the Company;</p> <p>(XIII) to decide on and handle at its own discretion all matters related to the payment of interim dividends (provided that the total amount of interim dividends paid shall not exceed 30% of the Company’s net profits in the first half of that year. The interim dividends with excessive amount shall be submitted for resolution by the shareholders’ general meetings.)</p> <p>(XIV) subject to applicable laws, administrative regulations, rules and these Articles, to exercise the powers of fundraising and loan, decide on the mortgage, pledge, rent, sub-contracting, or transfer of the Company’s assets, and authorize the manager to exercise the aforesaid powers set forth herein within specified scope; and</p> <p>(XV) other powers conferred by the shareholders’ general meetings and these Articles.</p> <p>When the Board makes a resolution on any of the above-mentioned matters, except for the particulars specified in items(VI), (VII), (XI), and (XII) that require the approval of more than two thirds (including two thirds) directors or otherwise provided in Article 102, other matters maybe resolved with the consent of more than half (including half) of the directors.</p>	<p>(XI) to formulate proposal for the amendments to the Company’s Articles of Association;</p> <p>(XII) to draw up major acquisition or sale schemes of the Company;</p> <p>(XIII) to decide on and handle at its own discretion all matters related to the payment of interim dividends (provided that the total amount of interim dividends paid shall not exceed 30% of the Company’s net profits in the first half of that year. The interim dividends with excessive amount shall be submitted for resolution by the shareholders’ general meetings.)</p> <p>(XIV) subject to applicable laws, administrative regulations, rules and these Articles, to exercise the powers of fundraising and loan, decide on the mortgage, pledge, rent, sub-contracting, or transfer of the Company’s assets, and authorize the manager to exercise the aforesaid powers set forth herein within specified scope; and</p> <p>(XV) other powers conferred by the shareholders’ general meetings and these Articles.</p> <p>When the Board makes a resolution on any of the above-mentioned matters, except for the particulars specified in items (VI), (VII), (XI), and (XII) that require the approval of more than two thirds (including two thirds) directors or otherwise provided in Article 102 <u>the Articles of Association</u>, other matters maybe resolved with the consent of more than half (including half) of the directors.</p>

No.	Original	Amended
	<p>The Board shall exercise any power that is not specified in these Articles to be exercised by the general meetings of shareholders. The Board shall abide by the provisions of these Articles and the provisions formulated from time to time by the shareholders' general meetings, provided that such provisions formulated by the general meetings shall not invalidate any act of the Board that was effective prior to such provisions.</p>	<p>The Board shall exercise any power that is not specified in these Articles to be exercised by the general meetings of shareholders. The Board shall abide by the provisions of these Articles and the provisions formulated from time to time by the shareholders' general meetings, provided that such provisions formulated by the general meetings shall not invalidate any act of the Board that was effective prior to such provisions.</p>
63.	<p>Article 99</p> <p>The chairman of the Board shall exercise the following powers:</p> <p>(I) to preside over the shareholders' general meetings, and convene and preside over the meetings of the Board;</p> <p>(II) to inspect the implementation of resolutions of the Board;</p> <p>(III) to endorse the securities issued by the Company;</p> <p>(IV) to endorse other important documents of the Company or to appoint one or more directors through a power of attorney to sign other important documents of the Company on its behalf;</p> <p>(V) other powers authorised by the Board.</p> <p>When the chairman of the Board is unable to perform his duties, he may appoint the vice chairman of the Board to exercise the powers on his behalf.</p>	<p>Article 9980</p> <p>The chairman of the Board shall exercise the following powers:</p> <p>(I) to preside over the shareholders' general meetings, and convene and preside over the meetings of the Board;</p> <p>(II) to inspect the implementation of resolutions of the Board;</p> <p>(III) to endorse the securities issued by the Company;</p> <p>(IV) to endorse other important documents of the Company or to appoint one or more directors through a power of attorney to sign other important documents of the Company on its behalf;</p> <p>(V) other powers authorised by the Board.</p> <p>When the chairman of the Board is unable to perform his duties, he may appoint the vice chairman of the Board to exercise the powers on his behalf. <u>If the vice chairman is also unable to perform his duties, more than half of the directors can jointly elect a director to perform his duties.</u></p>

No.	Original	Amended
64.	<p>Article 107</p> <p>Any written resolution bearing the signatures of all directors shall be deemed to be equally valid with a resolution passed at a duly-convened meeting of the Board. Such a resolution may consist of several documents in the like form, each signed by one or more directors. For the purpose of this Article, any resolution bearing the signature or name of a director, sent to the Company by telegraph, post, fax, or in person shall be deemed to be signed by such director.</p> <p>The Board may from time to time set up a committee or panel consisting of two or more directors, and empower such committee or panel with some powers, authorities, and discretions vested in it. The committee or panel hereof shall perform duties within the scope of authorization and comply with the rules formulated from time to time by the Board, which may at anytime dissolve the committee or panel or change the scope of its authorization.</p> <p>The quorum of the meeting of the aforesaid committee or panel shall be two members thereof or more than half of its members, the highest of which prevails. The provisions applicable to the procedures and recording of the meetings of the Board in Article 101 and Article 106 of these Articles shall apply equally to the meetings of the committee or panel, unless the relevant provisions are replaced with rules formulated by the Board according to the preceding paragraph.</p>	<p>Article 10788</p> <p>Any written resolution bearing the signatures of all directors shall be deemed to be equally valid with a resolution passed at a duly-convened meeting of the Board. Such a resolution may consist of several documents in the like form, each signed by one or more directors. For the purpose of this Article, any resolution bearing the signature or name of a director, sent to the Company by telegraph, post, fax, or in person shall be deemed to be signed by such director.</p> <p>The Board may from time to time set up a committee or panel consisting of two or more directors, and empower such committee or panel with some powers, authorities, and discretions vested in it. The committee or panel hereof shall perform duties within the scope of authorization and comply with the rules formulated from time to time by the Board, which may at anytime dissolve the committee or panel or change the scope of its authorization.</p> <p>The quorum of the meeting of the aforesaid committee or panel shall be two members thereof or more than half of its members, the highest of which prevails. The provisions applicable to the procedures and recording of the meetings of the Board in Article 101 and Article 106 <u>of the Articles of Association</u> shall apply equally to the meetings of the committee or panel, unless the relevant provisions are replaced with rules formulated by the Board according to the preceding paragraph.</p>

No.	Original	Amended
65.	<p>Article 109</p> <p>The Company's secretary shall be a natural person with necessary expertise and experience, who shall be appointed and removed by the Board. The main duties of the secretary shall be as set forth below:</p> <p>(I) to ensure that the Company's constitutive documents and records are complete;</p> <p>(II) to ensure that the Company prepares and submits all reports and documents required by relevant authorities(including but not limited to the administrative authorities for industry and commerce);</p> <p>(III) to ensure that the Company establishes its register of shareholders properly, and persons entitled to receive relevant records and documents from the Company do receive such records and documents in time;</p> <p>(IV) to perform other duties of a secretary as provided bylaws and these Articles(including duties required reasonably by the Board).</p>	<p>Article 109<u>90</u></p> <p>The Company's secretary shall be a natural person with necessary expertise and experience, who shall be appointed and removed by the Board. The main duties of the secretary shall be as set forth below:</p> <p>(I) to ensure that the Company's constitutive documents and records are complete;</p> <p>(II) to ensure that the Company prepares and submits all reports and documents required by relevant authorities(including but not limited to the administrative authorities for industry and commerce);</p> <p>(III) to ensure that the Company establishes its register of shareholders properly, and persons entitled to receive relevant records and documents from the Company do receive such records and documents in time;</p> <p>(IV) to perform other duties of a secretary as provided bylaws and these Articles(including duties required reasonably by the Board).</p>
66.	<p>Article 112The manager of the Company shall be accountable to the Board and shall exercise the following powers:</p> <p>(I) to be in charge of the production, operation and management of the Company, and to organize the implementation of the resolutions of the Board;</p> <p>(II) to organize the implementation of the Company's annual business plans and investment plans;</p> <p>(III) to draw up the plan of the Company's internal management;</p>	<p>Article 112<u>93</u></p> <p>The manager of the Company shall be accountable to the Board and shall exercise the following powers:</p> <p>(I) to be in charge of the production, operation and management of the Company, andto organize the implementation of the resolutions of the Board, and report work to the Board;</p> <p>(II) to organize the implementation of the Company's annual business plans and investment plans;</p> <p>(III) to draw up the plan of the Company's internal management;</p>

No.	Original	Amended
	<p>(IV) to draw up the basic management system of the Company;</p> <p>(V) to formulate the basic rules and regulations of the Company;</p> <p>(VI) to propose the employment or removal of the deputy managers and financial officers;</p> <p>(VII) to appoint or remove senior management officers of the Company other than those to be appointed or removed by the Board;</p> <p>(VIII) to convene and preside over the managers' office meetings(on his own or by a deputy manager appointed by him), which shall be attended by the manager, deputy managers, and other senior management officers;</p> <p>(IX) to decide on the rewards and penalties, promotion or demotion, pay rise or cut, appointment, employment, removal, and dismissal of employees of the Company;</p> <p>(X) other powers prescribed by these Articles and conferred by the Board.</p>	<p>(IV) to draw up the basic management system of the Company;</p> <p>(V) to formulate the basic specific rules and regulations of the Company;</p> <p>(VI) to propose the employment or removal of the deputy managers and financial officers;</p> <p>(VII) to appoint or remove senior management officers of the Company other than those to be appointed or removed by the Board;</p> <p>(VIII) to convene and preside over the managers' office meetings(on his own or by a deputy manager appointed by him), which shall be attended by the manager, deputy managers, and other senior management officers;</p> <p>(IX) to decide on the rewards and penalties, promotion or demotion, pay rise or cut, appointment, employment, removal, and dismissal of employees of the Company;</p> <p>(X) other powers prescribed by these Articles and conferred by the Board.</p>
67.	<p>Article 117</p> <p>The Supervisory Committee shall consist of three supervisors, one of whom shall serve as the chairman of the Supervisory Committee. The tenure of office of a supervisor is three years and may serve consecutive terms if re-elected upon the expiration of his term.</p> <p>The appointment and removal of the chairman of the Supervisory Committee shall take effect upon a resolution adopted by more than two thirds (including two thirds) of the supervisors.</p>	<p>Article 11798</p> <p>The Supervisory Committee shall consist of three supervisors, one of whom shall serve as the chairman of the Supervisory Committee. The tenure of office of a supervisor is three years and may serve consecutive terms if re-elected upon the expiration of his term.</p> <p>The appointment and removal of the chairman of the Supervisory Committee shall take effect upon a resolution adopted by more than two thirds (including two thirds) half of the supervisors.</p>

No.	Original	Amended
68.	<p>Article 120</p> <p>The Supervisory Committee shall hold meetings at least twice a year, which shall be convened by the chairman of the Supervisory Committee.</p>	<p>Article 120<u>101</u></p> <p>The Supervisory Committee shall hold meetings at least twice a year, and convene meetings at least once every six months, which shall be convened by the chairman of the Supervisory Committee. <u>Supervisors may propose to hold an extraordinary meeting of the Supervisors Committee.</u></p>
69.	<p>Article 122</p> <p>The general meetings of supervisors shall be convened upon the presence of more than two thirds(including two thirds) of the supervisors.</p> <p>The resolutions of the Supervisory Committee shall be passed upon the favorable votes of more than two thirds (including two thirds) of the supervisors.</p>	<p>Article 122<u>103</u></p> <p>The general meetings of supervisors shall be convened upon the presence of more than two thirds(including two thirds) of the supervisors.</p> <p>The resolutions of the Supervisory Committee shall be passed upon the favorable votes of more than two thirds (including two thirds) <u>half</u> of the supervisors.</p>
70.	<p>Article 126</p> <p>The following persons may not serve as a director, supervisor, manager or any other senior management officer of the Company in any of the following circumstances:</p> <p>(I) an individual who has no civil capacity or restricted civil capacity;</p> <p>(II) persons who were committed the offences of corruption, bribery, infringement of properties, misappropriation of properties, or sabotaging the social and economical order, and have been punished, or have been deprived of their political rights, in each case where less than five years have elapsed since the date of completion of the execution of such punishment or deprivation;</p>	<p>Article 126<u>107</u></p> <p>The following persons may not serve as a director, supervisor, manager or any other senior management officer of the Company in any of the following circumstances:</p> <p>(I) an individual who has no civil capacity or restricted civil capacity;</p> <p>(II) persons who were committed the offences of corruption, bribery, infringement of properties, misappropriation of properties, or sabotaging the social and economical order, and have been punished, or have been deprived of their political rights, in each case where less than five years have elapsed since the date of completion of the execution of such punishment or deprivation;</p>

No.	Original	Amended
	<p>(III) persons who were directors, or factory managers or manager of a company or enterprise which has become bankrupt and liquidated as a result of improper operation and mismanagement, and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the liquidation of such company or enterprise;</p> <p>(IV) persons who were a former legal representative of a company or enterprise which had its business license revoked due to a violation of law and who were personally liable, where less than three years have elapsed since the date of the revocation of such business license;</p> <p>(V) persons who have a relatively large amount of debt outstanding and not repaid when due;</p> <p>(VI) persons who are under criminal investigation by the judicial authority for violation of the criminal law which is not yet concluded;</p> <p>(VII) persons who are ineligible for enterprise leadership according to laws and administrative regulations;</p> <p>(VIII) a non-natural person;</p> <p>(IX) persons who have been convicted by the competent authority of offences involving fraud or dishonesty in violation of the provision of the relevant securities regulations, where less than five years has elapsed since the date of such ruling; and</p>	<p>(III) persons who were directors, or factory managers or manager of a company or enterprise which has become bankrupt and liquidated as a result of improper operation and mismanagement, and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the liquidation of such company or enterprise;</p> <p>(IV) persons who were a former legal representative of a company or enterprise which had its business license revoked <u>or to be ordered to close</u> due to a violation of law and who were personally liable, where less than three years have elapsed since the date of the revocation of such business license;</p> <p>(V) persons who have a relatively large amount of debt outstanding and not repaid when due;</p> <p>(VI) persons who are under criminal investigation by the judicial authority for violation of the criminal law which is not yet concluded;</p> <p>(VII) persons who are ineligible for enterprise leadership according to laws and administrative regulations;</p> <p>(VIII) a non-natural person;</p> <p>(IX) persons who have been convicted by the competent authority of offences involving fraud or dishonesty in violation of the provision of the relevant securities regulations, where less than five years has elapsed since the date of such ruling; and</p>

No.	Original	Amended
	(X) any public servants, unless permitted by laws and administrative regulations.	<p>(X) any public servants, unless permitted by laws and administrative regulations.</p> <p><u>If the Company elects, appoints directors, supervisors, or hires senior management personnel in violation of the provisions of the preceding paragraph, the election, appointment, or appointment shall be invalid.</u></p> <p><u>If a director, supervisor, or senior management member experiences any of the situations listed in the first paragraph of the Article of Association during their tenure, the Company shall dismiss them from their positions.</u></p>
71.	<p>Article 130</p> <p>The directors, supervisors, manager and other senior management officers of the Company must, in the exercise of their duties, abide by the principles of honesty and credibility, and shall not place themselves in a position where their personal interests and duties may be in conflict with each other. This principle shall include (but not be limited to) the fulfillment of the following obligations:</p> <p>(I) to act honestly in the best interests of the Company;</p> <p>(II) to exercise their powers within the scope of functions and powers and not to act beyond such powers;</p> <p>(III) to personally exercise the discretions invested in him/her, not to allow himself/herself to be manipulated by another person, and not to delegate the discretions to another person unless otherwise permitted by laws and administrative regulations or with the consent of any shareholders' general meeting that has been informed;</p>	<p>Article 130111</p> <p>The directors, supervisors, manager and other senior management officers of the Company must, in the exercise of their duties, abide by the principles of honesty and credibility, and shall not place themselves in a position where their personal interests and duties may be in conflict with each other. This principle shall include (but not be limited to) the fulfillment of the following obligations:</p> <p>(I) to act honestly in the best interests of the Company;</p> <p>(II) to exercise their powers within the scope of functions and powers and not to act beyond such powers;</p> <p>(III) to personally exercise the discretions invested in him/her, not to allow himself/herself to be manipulated by another person, and not to delegate the discretions to another person unless otherwise permitted by laws and administrative regulations or with the consent of any shareholders' general meeting that has been informed;</p>

No.	Original	Amended
	<p>(IV) to be impartial to both the holders of the same class and those of different classes;</p> <p>(V) not to conclude a contract or enter into a transaction or arrangement with the Company, except as otherwise provided in these Articles of Association of the Company or with the consent of any shareholders' general meeting that has been informed;</p> <p>(VI) not to use the Company's property for his/her own benefits in any way without the consent of any shareholders' general meeting that has been informed;</p> <p>(VII) not to use his/her functions and powers as a means to accept bribes or other forms of illegal income, and not to illegally appropriate the Company's properties in any way, including (but not limited to) any opportunity that is favourable to the Company;</p> <p>(VIII) not to accept commissions in connection with any transaction of the Company without the consent of the shareholders' general meeting that has been informed;</p> <p>(IX) to abide by the Articles of Association of the Company, perform duties faithfully, protect the interests of the Company, and not to use his/her position and powers in the Company to seek personal gains;</p> <p>(X) not to compete with the Company in any way without the consent of the shareholders' general meeting that has been informed;</p>	<p>(IV) to be impartial equally and fairly to both the holders of the same class and those of different classes;</p> <p>(V) not to conclude a contract or enter into a transaction or arrangement with the Company, except as otherwise provided in these Articles of Association of the Company or with the consent of any shareholders' general meeting that has been informed;</p> <p>(VI) not to use the Company's property for his/her own benefits in any way without the consent of any shareholders' general meeting that has been informed;</p> <p>(VII) not to use his/her functions and powers as a means to accept bribes or other forms of illegal income, and not to illegally appropriate the Company's properties in any way, including (but not limited to) any opportunity that is favourable to the Company;</p> <p>(VIII) not to accept commissions in connection with any transaction of the Company without the consent of the shareholders' general meeting that has been informed;</p> <p>(IX) to abide by the Articles of Association of the Company, perform duties faithfully, protect the interests of the Company, and not to use his/her position and powers in the Company to seek personal gains;</p> <p>(X) not to compete with the Company in any way without the consent of the shareholders' general meeting that has been informed;</p>

No.	Original	Amended
	<p>(XI) not to embezzle the Company’s funds or lend them to others, not to deposit the Company’s assets in any account opened in his/her own or in any other person’s name, not to use the Company’s assets as security for the debts of the Company’s shareholder or other individual;</p> <p>(XII) not to disclose any confidential information in relation to the Company that is acquired by him/her during his/her office without the consent of any shareholders’ general meeting that has been informed, and not to use such information for any purpose other than the interests of the Company. Provided that such information may be disclosed to the court or other government authorities in any of the following circumstances:</p> <p>(1) provided bylaws;</p> <p>(2) required for public interest;</p> <p>(3) required in the own interests of such director, supervisor, manager or other senior management officers of the Company;</p>	<p>(XI) not to embezzle the Company’s funds or lend them to others, not to deposit the Company’s assets in any account opened in his/her own or in any other person’s name, not to use the Company’s assets as security for the debts of the Company’s shareholder or other individual;</p> <p>(XII) not to disclose any confidential information in relation to the Company that is acquired by him/her during his/her office without the consent of any shareholders’ general meeting that has been informed, and not to use such information for any purpose other than the interests of the Company. Provided that such information may be disclosed to the court or other government authorities in any of the following circumstances:</p> <p>(1) provided bylaws;</p> <p>(2) required for public interest;</p> <p>(3) required in the own interests of such director, supervisor, manager or other senior management officers of the Company;</p>
72.	<p>Article 135</p> <p>If a director, supervisor, the manager or other senior management officers of the Company gives a written notice to the Board before the conclusion of any contract, transaction, or arrangement is first considered by the Company, stating that due to the contents listed in the notice, he/she is interested in such contract, transaction, or arrangement to be made subsequently by the Company, such director, supervisor, manager, or other senior management officers shall be deemed, in so far as what is stated in the notice, to have made the disclosure provided in Article 134 hereof.</p>	<p>Article 135<u>116</u></p> <p>If a director, supervisor, the manager or other senior management officers of the Company gives a written notice to the Board before the conclusion of any contract, transaction, or arrangement is first considered by the Company, stating that due to the contents listed in the notice, he/she is interested in such contract, transaction, or arrangement to be made subsequently by the Company, such director, supervisor, manager, or other senior management officers shall be deemed, in so far as what is stated in the notice, to have made the disclosure provided in Article 134 <u>the Articles of Association</u> hereof.</p>

No.	Original	Amended
73.	<p>Article 139The Company shall not be forced to perform a loan security provided in violation of the first paragraph of Article 137, except:</p> <p>(I) where the loan is provided to a connected person of a director, supervisor, the manager or other senior management officers of the Company or its parent company and the loan provider is not aware of the fact;</p> <p>(II) the collateral provided by the Company has been lawfully sold by the loan provider to a bona fide purchaser.</p>	<p>Article 139<u>120</u></p> <p>The Company shall not be forced to perform a loan security provided in violation of the first paragraph of Article 137<u>the Articles of Association of the Company</u>, except:</p> <p>(I) where the loan is provided to a connected person of a director, supervisor, the manager or other senior management officers of the Company or its parent company and the loan provider is not aware of the fact;</p> <p>(II) the collateral provided by the Company has been lawfully sold by the loan provider to a bona fide purchaser.</p>
74.	<p>Article 141</p> <p>If a director, supervisor, the manager or other senior management officers of the Company breaches his obligations to the Company, the Company shall, in addition to any rights and remedies provided by laws and administrative regulations, have the right to:</p> <p>(I) require the relevant director, supervisor, manager, or other senior management officers to compensate for any loss sustained by the Company as a consequence of his/her dereliction of duties;</p> <p>(II) rescind any contract or transaction concluded by the Company with the relevant director, supervisor, manager or other senior management officers, or with a third party(where such third party is aware or should be aware that the director, supervisor, manager or other senior management officers representing the Company was in breach of his obligations to the Company);</p>	<p>Article 141<u>122</u></p> <p>If a director, supervisor, the manager or other senior management officers of the Company breaches his obligations to the Company, the Company shall, in addition to any rights and remedies provided by laws and administrative regulations, have the right to:</p> <p>(I) require the relevant director, supervisor, manager, or other senior management officers to compensate for any loss sustained by the Company as a consequence of his/her dereliction of duties;</p> <p>(II) rescind any contract or transaction concluded by the Company with the relevant director, supervisor, manager or other senior management officers, or with a third party(where such third party is aware or should be aware that the director, supervisor, manager or other senior management officers representing the Company was in breach of his obligations to the Company);</p>

No.	Original	Amended
	<p>(III) require the relevant director, supervisor, manager or other senior management officers to surrender the gains derived from the breach of his/her obligations;</p> <p>(IV) to recover any funds received by the relevant director, supervisor, manager or other senior management officers that should have been received by the Company, including (but not limited to) commissions;</p> <p>(V) require the relevant director, supervisor, manager, or other senior management officers to return the interest earned or to be possibly earned on the funds that should have been given to the Company;</p> <p>(VI) take legal proceedings to rule that any property obtained by the relevant director, supervisor, manager, or other senior management officers as a result of breach of his/her obligations shall belong to the Company.</p>	<p>(III) require the relevant director, supervisor, manager or other senior management officers to surrender the gains derived from the breach of his/her obligations;</p> <p>(IV) to recover any funds received by the relevant director, supervisor, manager or other senior management officers that should have been received by the Company, including (but not limited to) commissions;</p> <p>(V) require the relevant director, supervisor, manager, or other senior management officers to return the interest earned or to be possibly earned on the funds that should have been given to the Company;</p> <p>(VI) take legal proceedings to rule that any property obtained by the relevant director, supervisor, manager, or other senior management officers as a result of breach of his/her obligations shall belong to the Company.</p>
75.	<p>Article 145</p> <p>The Company shall formulate its own financial and accounting systems in accordance with laws, administrative regulations, and the accounting standards of China formulated by the authorities under the State Council in charge of finance.</p>	<p>Article 145<u>126</u></p> <p>The Company shall formulate its own financial and accounting systems in accordance with laws, administrative regulations, and the accounting standards of China formulated by the authorities under the State Council in charge of finance <u>provisions of relevant state departments.</u></p>
76.	<p>Article 146</p> <p>The Company shall prepare financial reports at the end of each fiscal year. Such reports shall be examined and verified in accordance with law.</p>	<p>Article 146<u>127</u></p> <p>The Company shall prepare financial <u>accounting</u> reports at the end of each fiscal year. Such reports shall be examined and verified <u>audited by an accounting firm</u> in accordance with law.</p>

No.	Original	Amended
77.	<p>Article 149</p> <p>The Board of the Company shall place before the shareholders at each shareholders' annual general meeting such financial reports as relevant laws, administrative regulations, and normative documents promulgated by the local government and the competent authorities require the Company to prepare.</p>	<p>Article 149<u>130</u></p> <p>The Board of the Company shall place before the shareholders at each shareholders' annual general meeting such financial reports as relevant laws, administrative regulations, and normative documents promulgated by the local government and the competent authorities require the Company to prepare.</p>
78.	<p>Article 150</p> <p>The financial reports of the Company shall be made available in the Company for inspection by shareholders twenty days prior to an annual general meeting of shareholders. Each shareholder of the Company shall have the right to obtain a copy of such financial reports referred to herein.</p> <p>The Company shall send the aforesaid reports, at least twenty-one days prior to a shareholders' annual general meeting by pre-paid mail by post to all shareholders of overseas-listed foreign shares at the address of each shareholder recorded in the register of shareholders.</p>	<p>Article 150<u>131</u></p> <p>The financial reports of the Company shall be made available in the Company for inspection by shareholders twenty days prior to an annual general meeting of shareholders. Each shareholder of the Company shall have the right to obtain a copy of such financial reports referred to herein.</p> <p>The Company shall send the aforesaid reports, at least twenty-one days prior to a shareholders' annual general meeting by pre-paid mail by post to all shareholders of overseas-listed foreign shares at the address of each shareholder recorded in the register of shareholders.</p>
79.	<p>Article 160</p> <p>Any accounting firm appointed by the Company shall enjoy the following rights:</p> <p>(I) the rights of access at any time to account books, records, or vouchers of the Company and the right to require directors, the manager or other senior management officers of the Company to provide relevant information and explanations;</p>	<p>Article 160<u>141</u></p> <p>Any accounting firm appointed by the Company shall enjoy the following rights:</p> <p>(I) the rights of access at any time to account books, records, or vouchers of the Company and the right to require directors, the manager or other senior management officers of the Company to provide relevant information and explanations;</p>

No.	Original	Amended
	<p>(II) the right to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform duties;</p> <p>(III) the right to attend shareholders' meeting, receive the notice or other information in respect of such meetings that the shareholders are entitled to receive, and to be heard at any shareholders' meeting on any matter which concerns it as the accounting firm of the Company.</p>	<p>(H) the right to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform duties;</p> <p>(HH) the right to attend shareholders' meeting, receive the notice or other information in respect of such meetings that the shareholders are entitled to receive, and to be heard at any shareholders' meeting on any matter which concerns it as the accounting firm of the Company</p> <p><u>The Company's appointment and dismissal of an accounting firm must be decided by the shareholders' general meeting, and the Board shall not appoint an accounting firm before the decision of the shareholders' general meeting;</u></p>
80.	<p>Article 161</p> <p>If the position of an accounting firm of the Company becomes vacant, the Board may appoint an accounting firm to fill such vacancy before a shareholders' general meeting is held. If there are other accounting firms serving as the accounting firm of the Company while such a vacancy exists, such accounting firms shall continue to act.</p>	<p>Article 161(The entire article is deleted)</p> <p>If the position of an accounting firm of the Company becomes vacant, the Board may appoint an accounting firm to fill such vacancy before a shareholders' general meeting is held. If there are other accounting firms serving as the accounting firm of the Company while such a vacancy exists, such accounting firms shall continue to act.</p>
81.	<p>Article 162</p> <p>A shareholders' general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of office, notwithstanding any provisions in the contract between the accounting firm and the Company, but without prejudice to the right of such accounting firm, if any, to claim damages from the Company in respect of such dismissal.</p>	<p>Article 162(The entire article is deleted)</p> <p>A shareholders' general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of office, notwithstanding any provisions in the contract between the accounting firm and the Company, but without prejudice to the right of such accounting firm, if any, to claim damages from the Company in respect of such dismissal.</p>

No.	Original	Amended
82.	<p>Article 163</p> <p>The remuneration or method of determining remuneration for an accounting firm shall be decided upon by a shareholders’ general meeting. The remuneration for the accounting firm appointed by the Board shall be determined by the Board.</p>	<p>Article 163<u>142</u></p> <p>The remuneration, <u>audit fees</u> or method of determining remuneration for an accounting firm shall be decided upon by a shareholders’ general meeting. The remuneration for the accounting firm appointed by the Board shall be determined by the Board.</p>
83.	<p>Article 164</p> <p>The appointment, dismissal, or non-renewal of the appointment of an accounting firm shall be decided upon by the shareholders’ general meetings and reported to the competent securities authorities under the State Council for the record.</p> <p>Any shareholders’ general meeting shall comply with the following provisions when it plans to pass a resolution to appoint an accounting firm other than the existing accounting firm in office so as to fill an vacancy, or to continue to appoint an accounting firm appointed by the Board so as to fill an vacancy, or to dismiss an accounting firm whose term of office has not expired:</p> <p>(I) the proposal in respect of such appointment or dismissal shall be delivered to the accounting firm to be appointed or dismissed, or the accounting firm that has left office in the relevant fiscal year (leaving office hereof includes dismissal, resignation, and retirement), before the notice of relevant shareholders’ general meeting on which such proposal is to be considered;</p>	<p>Article 164(The entire article is deleted)</p> <p>The appointment, dismissal, or non-renewal of the appointment of an accounting firm shall be decided upon by the shareholders’ general meetings and reported to the competent securities authorities under the State Council for the record.</p> <p>Any shareholders’ general meeting shall comply with the following provisions when it plans to pass a resolution to appoint an accounting firm other than the existing accounting firm in office so as to fill an vacancy, or to continue to appoint an accounting firm appointed by the Board so as to fill an vacancy, or to dismiss an accounting firm whose term of office has not expired:</p> <p>(I) the proposal in respect of such appointment or dismissal shall be delivered to the accounting firm to be appointed or dismissed, or the accounting firm that has left office in the relevant fiscal year (leaving office hereof includes dismissal, resignation, and retirement), before the notice of relevant shareholders’ general meeting on which such proposal is to be considered;</p>

No.	Original	Amended
	<p>(II) if the accounting firm that is going to leave office makes a written statement and requests such statement to be informed to all shareholders, the Company shall take the following actions unless it receives the statement too late to take the actions:</p> <p>(1) to make it clear, in the notice of the shareholders' general meeting for the purpose of making a relevant resolution, that the leaving accounting firm has made such a statement;</p> <p>(2) to deliver a copy of the statement as an attachment to the notice hereof to all shareholders in the ways provided by these Articles;</p> <p>(III) If the Company fails to deliver the statement of the leaving accountant firm according to item (II) herein, the accounting firm may request such statement to be read and make further appeal at the shareholders' general meeting concerned.</p> <p>(IV) The leaving accounting firm shall have the right to be present at the following meetings:</p> <p>(1) the shareholders' general meeting at which its term would otherwise have expired;</p> <p>(2) the shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal;</p> <p>(3) the shareholders' general meeting convened because of its voluntary resignation;</p> <p>The leaving accounting firm is entitled to receive all notices or other information in respect of the aforesaid meetings, and speak on any matter related to its services as the former accounting firm of the Company at such meetings.</p>	<p>(II) if the accounting firm that is going to leave office makes a written statement and requests such statement to be informed to all shareholders, the Company shall take the following actions unless it receives the statement too late to take the actions:</p> <p>(1) to make it clear, in the notice of the shareholders' general meeting for the purpose of making a relevant resolution, that the leaving accounting firm has made such a statement;</p> <p>(2) to deliver a copy of the statement as an attachment to the notice hereof to all shareholders in the ways provided by these Articles;</p> <p>(III) If the Company fails to deliver the statement of the leaving accountant firm according to item (II) herein, the accounting firm may request such statement to be read and make further appeal at the shareholders' general meeting concerned.</p> <p>(IV) The leaving accounting firm shall have the right to be present at the following meetings:</p> <p>(1) the shareholders' general meeting at which its term would otherwise have expired;</p> <p>(2) the shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal;</p> <p>(3) the shareholders' general meeting convened because of its voluntary resignation;</p> <p>The leaving accounting firm is entitled to receive all notices or other information in respect of the aforesaid meetings, and speak on any matter related to its services as the former accounting firm of the Company at such meetings.</p>

No.	Original	Amended
84.	<p>Article 165</p> <p>When the Company dismisses or does not renew the appointment of an accounting firm, it shall give advance notice to the accounting firm. The accounting firm shall have the right to present its views to the shareholders' general meeting on which such dismissal is considered. Where an accounting firm tenders its resignation, it shall inform the shareholders' general meeting of whether there is any irregularity in the Company.</p> <p>An accounting firm of the Company may resign from its office by depositing a written notice of resignation to that effect at the legal address of the Company. Any such notice shall become effective on the day when it is deposited at the Company's legal address, or on a later date as specified in the notice. Such notice shall include the following statements:</p> <p>(I) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the attention of the shareholders or creditors of the Company;</p> <p>(II) a representation on any such circumstances. The Company shall, within 14 days after the receipt of the aforesaid written notice, send a copy of the notice to the competent authority in charge.</p>	<p>Article 165143</p> <p>When the Company dismisses or does not renew the appointment of an accounting firm, it shall give advance notice to the accounting firm. The accounting firm shall have the right to present its views to the shareholders' general meeting on which such dismissal is considered. Where an accounting firm tenders its resignation, it shall inform the shareholders' general meeting of whether there is any irregularity in the Company.</p> <p>An accounting firm of the Company may resign from its office by depositing a written notice of resignation to that effect at the legal address of the Company. Any such notice shall become effective on the day when it is deposited at the Company's legal address, or on a later date as specified in the notice. Such notice shall include the following statements:</p> <p>(I) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the attention of the shareholders or creditors of the Company;</p> <p>(II) a representation on any such circumstances.</p> <p>The Company shall, within 14 days after the receipt of the aforesaid written notice, send a copy of the notice to the competent authority in charge.</p>

No.	Original	Amended
	<p>If the notice contains the representation mentioned in item (II) of the preceding paragraph, the Company shall deposit a duplicate copy of the representation at the Company for inspection by shareholders, and the Company shall also deliver the aforesaid duplicate copy of the representation by post with postage pre-paid to each holder of overseas-listed foreign shares at their respective address recorded in the register of shareholders. If the notice of resignation of the accounting firm contains a statement on any circumstance to be accountable for, the accounting firm may require the Board to convene an extraordinary general meeting of shareholders to hear the explanations of the circumstances connected with its resignation.</p>	<p>If the notice contains the representation mentioned in item (II) of the preceding paragraph, the Company shall deposit a duplicate copy of the representation at the Company for inspection by shareholders, and the Company shall also deliver the aforesaid duplicate copy of the representation by post with postage pre-paid to each holder of overseas-listed foreign shares at their respective address recorded in the register of shareholders. If the notice of resignation of the accounting firm contains a statement on any circumstance to be accountable for, the accounting firm may require the Board to convene an extraordinary general meeting of shareholders to hear the explanations of the circumstances connected with its resignation.</p>
85.	<p>Article 179</p> <p>The merger or split-up of the Company shall require the preparation of a proposal by the Board, which after being adopted in accordance with the procedures specified in these Articles, shall go through relevant examination and approval procedures in accordance with law. Shareholders that oppose such merger or split-up proposal shall be entitled to require the Company or shareholders who are in favour of such proposal to purchase their shares at a fair price. The content of the resolutions approving the merger or split-up of the Company shall be compiled in a special document or inspection by shareholders.</p> <p>The aforesaid document shall be delivered, twenty one days prior to the relevant shareholders' general meeting, by post with postage pre-paid to all holders of overseas-listed foreign shares at the address of each recipient recorded in the register of shareholders.</p>	<p>Article 179<u>157</u></p> <p>The merger or split-up of the Company shall require the preparation of a proposal by the Board, which after being adopted in accordance with the procedures specified in these Articles, shall go through relevant examination and approval procedures in accordance with law. Shareholders that oppose such merger or split-up proposal shall be entitled to require the Company or shareholders who are in favour of such proposal to purchase their shares at a fair price. The content of the resolutions approving the merger or split-up of the Company shall be compiled in a special document or inspection by shareholders.</p> <p>The aforesaid document shall be delivered, twenty one days prior to the relevant shareholders' general meeting, by post with postage pre-paid to all holders of overseas-listed foreign shares at the address of each recipient recorded in the register of shareholders.</p>

No.	Original	Amended
86.	<p>Article 180</p> <p>The merger of the Company may take the form of either merger by absorption or merger by new establishment.</p> <p>In the case of a merger of the Company, the parties to the merger shall enter into a merger agreement and prepare balance sheets and a property list in respect of the Company. Furthermore, the Company shall notify its creditors within a period of ten days from the date on which the merger resolution is passed and publish announcements on such merger on newspapers for at least three times within thirty days thereafter.</p>	<p>Article 180<u>158</u></p> <p>The merger of the Company may take the form of either merger by absorption or merger by new establishment.</p> <p>In the case of a merger of the Company, the parties to the merger shall enter into a merger agreement and prepare balance sheets and a property list in respect of the Company. Furthermore, the Company shall notify its creditors within a period of ten days from the date on which the merger resolution is passed and publish announcements on such merger on newspapers for at least three times within thirty days thereafter.</p>
87.	<p>Article 181</p> <p>Where the Company is to be split up, its property shall be divided accordingly.</p> <p>In the case of the split-up of the Company, the parties to the split-up shall enter into a division agreement and prepare balance sheets and a property list in respect of the Company. The Company shall notify its creditors within a period of ten days from the date on which the split-up resolution is passed and publish announcements on such split-up on newspapers for at least three times within thirty days thereafter.</p> <p>Debts owed by the Company prior to the split-up shall be assumed by the companies inexistence as a result of the split-up in accordance with the agreement concluded.</p>	<p>Article 181<u>159</u></p> <p>Where the Company is to be split up, its property shall be divided accordingly.</p> <p>In the case of the split-up of the Company, the parties to the split-up shall enter into a division agreement and prepare balance sheets and a property list in respect of the Company. The Company shall notify its creditors within a period of ten days from the date on which the split-up resolution is passed and publish announcements on such split-up on newspapers for at least three times within thirty days thereafter.</p> <p>Debts owed by the Company prior to the split-up shall be assumed by the companies inexistence as a result of the split-up in accordance with the agreement concluded.</p>

No.	Original	Amended
88.	<p>Article 183</p> <p>The Company shall be dissolved and liquidated in accordance with law in any of the following circumstances:</p> <p>(I) if a shareholders' general meeting resolves to dissolve the Company;</p> <p>(II) if dissolution is necessary as a result of the merger or split-up of the Company;</p> <p>(III) if the Company is declared bankrupt in accordance with law due to inability to repay its debts when due;</p> <p>(IV) if the Company is lawfully ordered to close down as a result of violation of laws or administrative regulations.</p>	<p>Article 183<u>161</u></p> <p>The Company shall be dissolved and liquidated in accordance with law in any of the following circumstances:</p> <p><u>(I) if the business period specified in the Articles of Association expires or other reasons for dissolution specified in the Articles of Association occur;</u></p> <p>(II) if a shareholders' general meeting resolves to dissolve the Company;</p> <p>(III) if dissolution is necessary as a result of the merger or split-up of the Company;</p> <p>(IV) if <u>the business license of</u> the Company is <u>revoked, ordered to close down or revoked declared bankrupt</u> in accordance with law due to inability to repay its debts when due;</p> <p>(V) if the Company <u>encounters serious difficulties in its operation and management, and its continued existence will cause significant losses to the interests of shareholders, which cannot be resolved through other means, shareholders holding more than ten percent of the voting rights of all shareholders of the Company may request the people's court to dissolve the Company is lawfully ordered to close down as a result of violation of laws or administrative regulations.</u></p>

No.	Original	Amended
89.	<p>Article 184</p> <p>Where the Company is to be dissolved pursuant to item (I) of the preceding Article, it shall establish a liquidation committee within fifteen days. The members of such liquidation committee shall be determined at a shareholders' general meeting by way of an ordinary resolution.</p> <p>Where the Company is to be dissolved pursuant to item (III) of the preceding Article, the people's court shall, in accordance with the requirements of relevant laws, arrange for the shareholders, relevant authorities, and relevant professionals to establish a liquidation committee to carry out liquidation.</p> <p>Where the Company is to be dissolved pursuant to item (IV) of the preceding Article, the relevant authorities in charge shall arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out the liquidation.</p>	<p>Article 184<u>162</u></p> <p>Where the Company is to be dissolved pursuant to item (I), <u>item (II), item (IV) and item (V)</u> of the preceding Article, it shall establish a liquidation committee within fifteen days <u>from the date when the cause of dissolution appears, and the liquidation shall begin. The liquidation committee is composed of directors or persons determined by the shareholders' general meeting. If a liquidation committee is not established for liquidation within the time limit, the creditors may apply to the people's court to designate relevant personnel to form a liquidation committee for liquidation. The people's court shall accept the application and promptly organize a liquidation committee to carry out the liquidation.</u>The members of such liquidation committee shall be determined at a shareholders' general meeting by way of an ordinary resolution.</p> <p><u>If the Company falls under the circumstances specified in item (I) of the preceding Article, it may continue to exist by amending its Articles of Association.</u></p> <p><u>Amendments to the Company's Articles of Association in accordance with the provisions of the preceding paragraph shall be approved by a special resolution of the shareholders attending the shareholders' general meeting.</u></p> <p>Where the Company is to be dissolved pursuant to item (III) of the preceding Article, the people's court shall, in accordance with the requirements of relevant laws, arrange for the shareholders, relevant authorities, and relevant professionals to establish a liquidation committee to carry out liquidation.</p>

No.	Original	Amended
		<p>Where the Company is to be dissolved pursuant to item (IV) of the preceding Article, the relevant authorities in charge shall arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out the liquidation.</p>
90.	<p>Article 185</p> <p>If the Board decides that the Company shall be liquidated (except liquidation as a result of the Company's declaration of bankruptcy), the notice of the shareholders' general meeting convened for such purpose shall include a statement to the effect that the Board has made full inquiry into the position of the Company and that the Board holds the opinion that the Company can pay its debts in full within twelve months after the commencement of liquidation.</p> <p>The powers of the Board of the Company shall terminate immediately upon a resolution being adopted by a shareholders' general meeting to carry out liquidation.</p> <p>The liquidation committee shall take instructions from the shareholders' general meetings and make a report at least once a year to the shareholders' general meeting on the committee's income and expenditure, the business of the Company, and the progress of the liquidation. Upon the completion of the liquidation, it shall make a final report to the shareholders' general meeting.</p>	<p>Article 185(The entire article is deleted)</p> <p>If the Board decides that the Company shall be liquidated (except liquidation as a result of the Company's declaration of bankruptcy), the notice of the shareholders' general meeting convened for such purpose shall include a statement to the effect that the Board has made full inquiry into the position of the Company and that the Board holds the opinion that the Company can pay its debts in full within twelve months after the commencement of liquidation.</p> <p>The powers of the Board of the Company shall terminate immediately upon a resolution being adopted by a shareholders' general meeting to carry out liquidation.</p> <p>The liquidation committee shall take instructions from the shareholders' general meetings and make a report at least once a year to the shareholders' general meeting on the committee's income and expenditure, the business of the Company, and the progress of the liquidation. Upon the completion of the liquidation, it shall make a final report to the shareholders' general meeting.</p>

No.	Original	Amended
91.	<p>Article 186</p> <p>The liquidation committee shall notify creditors within a period of ten days from the date of its establishment and publish announcements on newspapers on the liquidation at least three times within sixty days. The creditors' rights shall be registered by the liquidation committee.</p>	<p>Article 186163</p> <p>The liquidation committee shall notify creditors within a period of ten days from the date of its establishment and publish announcements on newspapers on the liquidation at least three times within sixty days. The creditors' rights shall be registered by the liquidation committee.</p> <p><u>During the period of declaring creditor's rights, the liquidation committee shall not pay off creditors.</u></p>
92.	<p>Article 187</p> <p>The liquidation committee shall exercise the following powers during the liquidation:</p> <p>(I) to thoroughly examine the property of the Company and prepare a balance sheet and property list respectively;</p> <p>(II) to notify the creditors by a notice or public announcement;</p> <p>(III) to dispose of and liquidate relevant unfinished business of the Company;</p> <p>(IV) to pay all outstanding taxes in full;</p> <p>(V) to clear up claims and debts;</p> <p>(VI) to deal with the residual property after full payment of the Company's debts;</p> <p>(VII) to participate in any civil litigation on behalf of the Company.</p>	<p>Article 187164</p> <p>The liquidation committee shall exercise the following powers during the liquidation:</p> <p>(I) to thoroughly examine the property of the Company and prepare a balance sheet and property list respectively;</p> <p>(II) to notify the creditors by a notice or <u>and</u> public announcement;</p> <p>(III) to dispose of and liquidate relevant unfinished business of the Company;</p> <p>(IV) to pay all outstanding taxes in full <u>and taxes incurred during the liquidation process;</u></p> <p>(V) to clear up claims and debts;</p> <p>(VI) to deal with the residual property after full payment of the Company's debts;</p> <p>(VII) to participate in any civil litigation on behalf of the Company.</p>

No.	Original	Amended
93.	<p>Article 188</p> <p>After the liquidation committee has thoroughly examined the company’s property and prepared a balance sheet and a property list, it shall formulate a liquidation plan and submit such plan to the shareholders’ general meeting or relevant authorities in charge for confirmation. Payment of debts out of the Company’s property shall be made in the following order of priority:</p> <p>(I) payment of all liquidation expenses;</p> <p>(II) payment of wages and labor insurance expenses;</p> <p>(III) payment of all outstanding taxes in full;</p> <p>(IV) to clear up the Company’s debts.</p> <p>The Company’s residual property after full payment in accordance with the provisions of the preceding paragraph shall be distributed to shareholders pursuant to the class and proportion of shares held by each shareholder. During liquidation, the Company shall not engage in new business activities.</p>	<p>Article 188<u>165</u></p> <p>After the liquidation committee has thoroughly examined the company’s property and prepared a balance sheet and a property list, it shall formulate a liquidation plan and submit such plan to the shareholders’ general meeting or relevant authorities <u>the people’s court</u> in charge for confirmation. Payment of debts out of the Company’s property shall be made in the following order of priority:</p> <p>(I) payment of all liquidation expenses;</p> <p>(II) payment of wages and, labor <u>social insurance expenses and statutory compensation</u>;</p> <p>(III) payment of all outstanding taxes in full;</p> <p>(IV) to clear up the Company’s debts.</p> <p>The Company’s residual property after full payment in accordance with the provisions of the preceding paragraph shall be distributed to shareholders pursuant to the class and proportion of shares held by each shareholder.</p> <p>During liquidation, the Company <u>shall survive, but</u> shall not engage in new business activities <u>unrelated to liquidation. The Company’s property shall not be distributed to shareholders before it is paid off in accordance with the provisions of the preceding paragraph.</u></p>

No.	Original	Amended
94.	<p>Article 189</p> <p>If the Company is liquidated due to dissolution and the liquidation committee, having thoroughly examined the Company's property and prepared a balance sheet and a property list, discovers that the Company's property is insufficient to pay its debts in full, it shall immediately apply to the people's court for declaration of bankruptcy.</p> <p>After the Company is declared bankrupt by the ruling of the people's court, the liquidation committee of the Company shall refer the liquidation matters to the people's court.</p>	<p>Article 189<u>166</u></p> <p>If the Company is liquidated due to dissolution and the The liquidation committee, having thoroughly examined the Company's property and prepared a balance sheet and a property list, discovers that the Company's property is insufficient to pay its debts in full, it shall immediately apply to the people's court for declaration of bankruptcy <u>according to law.</u></p> <p>After the Company is declared bankrupt by the ruling of the people's court, the liquidation committee of the Company shall refer the liquidation matters to the people's court.</p>
95.	<p>Article 190</p> <p>Following the completion of liquidation, the liquidation committee shall formulate a liquidation report, an income and expenditure statement and financial account books in respect of the liquidation period and, upon verification thereof by a certified public accountant registered in China, submit the same to the shareholders' general meeting or the competent authorities for confirmation.</p> <p>Within 30 days from the date of confirmation of the above-mentioned documents by the shareholders' general meeting or the relevant competent authorities, the liquidation committee shall deliver the same to the registration authorities of the Company, apply for cancellation of the Company's registration, and publicly announce the Company's termination.</p>	<p>Article 190<u>167</u></p> <p>Following the completion of liquidation, the liquidation committee shall formulate a liquidation report, an income and expenditure statement and financial account books in respect of the liquidation period and, upon verification thereof by a certified public accountant registered in China, submit the same <u>liquidation report</u> to the shareholders' general meeting or the competent authorities <u>people's court</u> for confirmation.</p> <p>Within 30 days from the date of confirmation of the above-mentioned documents by the shareholders' general meeting or the relevant competent authorities, <u>and</u> the liquidation committee shall deliver the same <u>liquidation report</u> to the registration authorities of the Company, apply for cancellation of the Company's registration, and publicly announce the Company's termination.</p>

No.	Original	Amended
96.	–	<p><u>Article 168</u> (Newly-added article)</p> <p><u>Members of the liquidation committee shall be loyal to their duties and perform liquidation obligations according to law.</u></p> <p><u>Members of the liquidation committee shall not take advantage of their powers to accept bribes or other illegal income, and shall not encroach on the Company’s property.</u></p> <p><u>Members of the liquidation committee shall be liable for compensation if they cause losses to the Company or creditors due to intentional or gross negligence.</u></p>
97.	–	<p><u>Article 169</u> (Newly-added article)</p> <p><u>If the Company is declared bankrupt in accordance with the law, bankruptcy liquidation shall be carried out in accordance with the relevant laws on enterprise bankruptcy.</u></p>
98.	Chapter XXIII Procedures for Amendments to the Articles of Association	Chapter XXIIIXXII Procedures for Amendments to the Articles of Association
99.	<p>Article 192</p> <p>Where an amendment to the Company’s Articles of Association involves matters provided for in the <i>Prerequisite Clauses on the Articles of Association of Companies Seeking a Listing Outside the PRC</i> (“<i>Prerequisite Clauses</i>”), it shall become effective upon the approval of relevant company examination and approval authorities authorised by the State Council and the securities regulatory authorities under the State Council. Where an amendment thereto involves matters of company registration, any change in registration shall be handled in accordance with law.</p>	<p>Article 192<u>171</u></p> <p>Where an amendment to the Company’s Articles of Association involves matters provided for in the <i>Prerequisite Clauses on the Articles of Association of Companies Seeking a Listing Outside the PRC</i> (“<i>Prerequisite Clauses</i>”), it shall become effective upon the approval of relevant company examination and approval authorities authorised by the State Council and the securities regulatory authorities under the State Council. Where an amendment thereto involves matters of company registration, any change in registration shall be handled in accordance with law.</p>

No.	Original	Amended
100.	<p>Article 193</p> <p>The Company shall comply with the following rules in the settlement of disputes:</p> <p>(I) If any dispute or claim concerning the business of the Company on the basis of the rights or obligations provided for in these Articles, or the <i>Company Law</i>, or in relevant laws or administrative regulations arises between a holder of overseas-listed foreign shares and the Company, or between a holder of overseas-listed foreign shares and a director, or a supervisor, or the manager, or other senior management officers of the Company, or between a holder of overseas-listed foreign shares and a holder of domestic shares or non-listed foreign shares, such dispute or claim shall be referred by the parties concerned to arbitration for settlement.</p> <p>When a dispute or claim as described above herein is referred to arbitration, such dispute or claim shall be in its entirety, and all persons, being the Company, or any shareholders, directors, supervisors, the manger, or other senior management officers of the Company, that have a cause of action due to the same facts or whose involvement is necessary for the settlement of such dispute or claim, shall abide by arbitration.</p> <p>Disputes concerning the definition of shareholders and the register of shareholders may not be required to be settled by means of arbitration.</p>	<p>Article 193<u>172</u></p> <p>The Company shall comply with the following rules in the settlement of disputes:</p> <p>(I) If any dispute or claim concerning the business of the Company on the basis of the rights or obligations provided for in these Articles, or the <i>Company Law</i>, or in relevant laws or administrative regulations arises between a holder of overseas-listed foreign shares and the Company, or between a holder of overseas-listed foreign shares and a director, or a supervisor, or the manager, or other senior management officers of the Company, or between a holder of overseas-listed foreign shares and a holder of domestic shares or non-listed foreign shares, such dispute or claim shall be referred by the parties concerned to arbitration for settlement.</p> <p>When a dispute or claim as described above herein is referred to arbitration, such dispute or claim shall be in its entirety, and all persons, being the Company, or any shareholders, directors, supervisors, the manger, or other senior management officers of the Company, that have a cause of action due to the same facts or whose involvement is necessary for the settlement of such dispute or claim, shall abide by arbitration.</p> <p>Disputes concerning the definition of shareholders and the register of shareholders may not be required to be settled by means of arbitration.</p>

No.	Original	Amended
	<p>(II) A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. After the arbitration applicant submits the dispute or claim for arbitration, the other party concerned shall carry out arbitration in the arbitration institution selected by the applicant.</p> <p>If the arbitration applicant elects arbitration by the Hong Kong International Arbitration Centre, either party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.</p> <p>(III) If any disputes or claims referred to in item (I) herein are settled by way of arbitration, the laws of China shall apply, save as otherwise provided in laws and administrative regulations.</p> <p>(IV) The decision of the arbitration institution shall be final and binding on all parties.</p>	<p>(II) A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. After the arbitration applicant submits the dispute or claim for arbitration, the other party concerned shall carry out arbitration in the arbitration institution selected by the applicant.</p> <p>If the arbitration applicant elects arbitration by the Hong Kong International Arbitration Centre, either party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.</p> <p>(III) If any disputes or claims referred to in item (I) herein are settled by way of arbitration, the laws of China shall apply, save as otherwise provided in laws and administrative regulations.</p> <p>(IV) The decision of the arbitration institution shall be final and binding on all parties.</p>
101.	<p>Article 196</p> <p>Any notices, documents, information or written statement from the shareholders or directors to the Company shall be delivered personally or sent by registered mail to the legal address of the Company.</p>	<p>Article 196<u>175</u></p> <p>Any notices, documents, information or written statement from the shareholders or directors to the Company shall be delivered personally or sent by registered mail to the legal address of the Company.</p>

No.	Original	Amended
102.	<p>Article 197</p> <p>The shareholders or directors of the Company who want to prove that certain notices, documents, materials, or written statements have been sent to the Company shall provide evidential materials showing that such notices, documents, materials, or written statements have been sent to the Company by normal methods prescribed in Article 194 hereof within designated time, specifically, the provision of receipt confirmation in the case of delivery by person, and in the case of delivery by post, the provision of evidence showing that the relevant mail, clearly addressed, with recipient's name clearly written and the postage pre-paid, has been sent to the right address.</p>	<p>Article 197<u>176</u></p> <p>The shareholders or directors of the Company who want to prove that certain notices, documents, materials, or written statements have been sent to the Company shall provide evidential materials showing that such notices, documents, materials, or written statements have been sent to the Company by normal methods prescribed in Article 194 <u>the Articles of Association</u> hereof within designated time, specifically, the provision of receipt confirmation in the case of delivery by person, and in the case of delivery by post, the provision of evidence showing that the relevant mail, clearly addressed, with recipient's name clearly written and the postage pre-paid, has been sent to the right address.</p>
103.	<p>Article 198</p> <p>These Articles of Association are made and shall be interpreted in accordance with the <i>Company Law, the Prerequisite Clauses, the Opinions, Proposals, Listing Rules</i> and other applicable laws and administrative regulations. If any term herein is in contradiction to the aforesaid laws and administrative regulations, the provisions of such laws and administrative regulations shall prevail.</p> <p>The right to interpret these Articles shall be vested in the Board of the Company. Matters not covered in these Articles shall be submitted by the Board to the general meetings of shareholders for resolution.</p>	<p>Article 198<u>177</u></p> <p>These Articles of Association are made and shall be interpreted in accordance with the <i>Company Law, the Prerequisite Clauses, the Opinions, Proposals, Listing Rules</i> and other applicable laws and administrative regulations. If any term herein is in contradiction to the aforesaid laws and administrative regulations, the provisions of such laws and administrative regulations shall prevail.</p> <p>The right to interpret these Articles shall be vested in the Board of the Company. Matters not covered in these Articles shall be submitted by the Board to the general meetings of shareholders for resolution.</p>

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

C. DISCLOSURE OF INTERESTS**1. Interests of Directors**

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, Supervisor or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

2. Directors' positions in the substantial Shareholders

As at the Latest Practicable Date, each of Bailian Group and Shanghai Bailian was a company with interests which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, (i) Mr. Pu Shao-hua, the chairman of the Board of the Company and a non-executive Director, is a director, the president and deputy secretary of the Party Committee of Bailian Group; (ii) Mr. Shi Xiao-long, the vice chairman of the Company and a non-executive Director, is the vice president of Bailian Group and a director of Bailian Financial Services; (iii) Mr. Chong Xiao-bing, the general manager of the Company and an executive Director, is the chairman of the board of directors of Hualian GMS, a director of Bailian Financial Services and a director of Bailian Omni-channel; (iv) Ms. Zhang Shen-yu, a non-executive Director, is a director and the general manager of Shanghai Bailian and a director of Bailian Omni-channel; (v) Mr. Dong Xiao-chun, a non-executive Director, is a director of Shanghai Bailian; (vi) Mr. Li Feng, a Supervisor and the chairman of the supervisory committee of the Company, is the senior director of audit and risk control center of Bailian Group, a supervisor of Shanghai Bailian and the chairman of the supervisory committee of First Pharmaceutical; and (vii) Mr. Luo Yang-hong, a Supervisor, is the deputy general manager of finance of Shanghai Bailian.

Save as disclosed above, none of the Directors, proposed Director and Supervisors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

D. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

E. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any assets which have since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

F. COMPETING INTERESTS

As at the Latest Practicable Date, according to the Listing Rules, other than the Director disclosed below, none of the Directors had any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group.

Name of Director	Name of entity whose business are considered to compete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Hu Xiao	Suning.com Co., Ltd.	Online retail sale, specialised home appliance stores, hypermarkets, membership stores, selected store	Non-independent director

G. EXPERT'S CONSENT AND QUALIFICATIONS

The following is the qualification of the expert who has given opinions or advices which are contained in this circular:

Name	Qualifications
Lego	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Lego has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which it is included.

The letter and recommendation given by Lego are given as of the date of this circular for incorporation herein.

Lego confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

H. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://lianhua.todayir.com/en/index.php>) for a period of 14 days from the date of this circular:

- (a) the Sales Agency Framework Agreement;
- (b) the Supplemental Agreement;
- (c) the Single Asset Management Contract;
- (d) the material contracts referred to in the paragraph headed “J. Material Contracts” of the Appendix III to this circular;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 46 to 47 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 48 to 90 of this circular;
- (g) the letter from Deloitte Touche Tohmatsu referred to in the paragraph headed “Working Capital” of the Appendix I to this circular; and
- (h) the Independent Financial Adviser’s consent letter mentioned in the “G. Expert’s Consent and Qualifications” of the Appendix III to this circular.

I. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party.

J. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contract, not being contracts entered into the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) On 23 April 2021, the Company entered into an investment and wealth management cooperation framework agreement with Shanghai Securities, pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, including but not limited to investment products, entrusted investment services and other investment cooperation, for a term commencing on 23 April 2021 to 31 December 2023 (both days inclusive).
- (b) On 26 September 2021, Lianhua Huashang entered into an equity transfer agreement with Zhuji Yibai Supermarket Co., Ltd. (“**Zhuji Yibai**”), pursuant to which, Lianhua Huashang agreed to acquire, and Zhuji Yibai agreed to sell, a 60% equity interest in Zhejiang Bailian Supermarket Co., Ltd. for a consideration of RMB180,000,000.

K. GENERAL

The company secretary is Ms. Xu Xiao-yi. Ms. Xu Xiao-yi is a senior accountant and certified public accountant.

L. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00980)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Lianhua Supermarket Holdings Co., Ltd. (the “**Company**”) for the year 2023 will be held at 9:30 a.m. on Thursday, 21 December 2023 at the Conference Room, 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the People’s Republic of China (the “**PRC**”), to consider and, if thought fit, pass the following resolutions of the Company (unless otherwise specified, capitalised terms used herein shall have the same meaning as defined in the circular of the Company dated 6 November 2023 (the “**Circular**”) containing the details of the following resolutions):

ORDINARY RESOLUTIONS

1. To approve the Sales Agency Framework Agreement dated 27 September 2023 entered into between the Company and Bailian Omni-channel E-commerce Co., Ltd. and its proposed annual caps; and
2. To approve the Supplemental Agreement dated 27 September 2023 entered into between Lianhua Huashang, a subsidiary of the Company, Shanghai Securities and the Custodian Bank in relation to the provision of asset management and investment services by Shanghai Securities and the Custodian Bank.

SPECIAL RESOLUTION

3. To approve the Proposed Amendments to the Articles of Association of Lianhua Supermarket Holdings Co., Ltd.

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

Shanghai, the PRC, 6 November 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Please refer to the Circular for (i) the details of the Sales Agency Framework Agreement and the transactions contemplated thereunder; (ii) the details of the Supplemental Agreement and the transactions contemplated thereunder; and (iii) the details of the Proposed Amendments to the Articles of Association.
2. The H shares share registrar of the Company will be closed from Tuesday, 21 November 2023 to Thursday, 21 December 2023 (both days inclusive), during which no transfer of H shares of the Company (“**H Shares**”) will be effected. Any holders of H shares, whose names appear on the Company’s Register of Members on Thursday, 21 December 2023, are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, persons holding H Shares shall lodge share transfer documents and the relevant share certificates with the H Shares share registrar not later than 4:30 p.m. on Monday, 20 November 2023.
3. The address of the Company’s share registrar for share transfer of H Shares in Hong Kong is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong
4. Holders of H Shares, who intend to attend the EGM, must complete the reply slips for attending the EGM and return them to the office of the secretary to the Board not later than 20 days before the date of the EGM. Details of the office of the secretary to the Board are as follows:

13th Floor
Bailian Central Plaza
1258 Zhen Guang Lu
Shanghai
The PRC
Tel: (8621) 5278 9576
Fax: (8621) 5279 7976
5. Each holder of H Shares who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his/her/its behalf at the EGM. A shareholder of the Company who has appointed more than one proxy may only vote by poll.
6. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointer, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. In the case of holder of H Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM, or any adjournment thereof, in order for such documents to be valid.
8. Each holder of domestic shares of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as paid up in Renminbi (the "**Domestic Shares**") and of unlisted foreign shares of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as paid up in foreign currency (the "**Unlisted Foreign Shares**") is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his/her/its behalf at the EGM. Notes (6) to (7) also apply to holders of the Domestic Shares and Unlisted Foreign Shares, except that the proxy form or other documents of authority must be delivered to the office of the secretary to the Board, the address of which is set out in Note (4) above, not less than 24 hours before the time for holding the EGM, or any adjournment thereof, in order for such documents to be valid.
9. Shareholders shall produce their identity documents when attending the meeting. If a proxy attends the EGM on behalf of a shareholder of the Company, he/she should produce his/her identity card and the instrument signed by the shareholder or his/her legal representative, which specifies the date of its issuance. If the legal representative of a legal person shareholder attends the EGM, such legal representative should produce his/her identity card and valid documents evidencing his/her capacity as such legal representative. If a legal person shareholder appoints a representative other than its legal representative to attend the EGM, such representative should produce his/her identity card and an authorization instrument affixed with the seal of the legal person shareholder and duly signed by its legal representative.
10. The EGM is expected to last for half a day. Shareholders of the Company attending the EGM are responsible for their own transportation and accommodation expenses.

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

Executive director:

Chong Xiao-bing;

Non-executive directors:

Pu Shao-hua, Shi Xiao-long, Hu Xiao,
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.

NOTICE OF CLASS MEETING OF HOLDERS OF DOMESTIC SHARES AND UNLISTED FOREIGN SHARES

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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00980)

NOTICE OF CLASS MEETING OF HOLDERS OF DOMESTIC SHARES AND UNLISTED FOREIGN SHARES

NOTICE IS HEREBY GIVEN THAT a class meeting of holders of Domestic Shares and Unlisted Foreign Shares (the “**Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares**”) of Lianhua Supermarket Holdings Co., Ltd. (the “**Company**”) for the year 2023 will be held at 10:30 a.m. on Thursday, 21 December 2023 (or immediately after the conclusion or adjournment of the extraordinary general meeting of the Company which will be held at the same place and on the same date), or any adjournment thereof, at the Conference Room, 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the People's Republic of China (the “**PRC**”), to consider and, if thought fit, pass the following special resolution (unless otherwise specified, capitalised terms used herein shall have the same meaning as defined in the circular of the Company dated 6 November 2023 (the “**Circular**”) containing the details of the following special resolution):

SPECIAL RESOLUTION

1. To approve the Proposed Amendments to the Articles of Association of Lianhua Supermarket Holdings Co., Ltd.

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

Shanghai, the PRC, 6 November 2023

NOTICE OF CLASS MEETING OF HOLDERS OF DOMESTIC SHARES AND UNLISTED FOREIGN SHARES

Notes:

1. Please refer to the Circular for details of the Proposed Amendments to Articles of Association.
2. Holders of Domestic Shares and Unlisted Foreign Shares, who intend to attend the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares, must complete the reply slips for attending the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares and return them to the office of the secretary to the Board not later than 20 days before the date of the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares. Details of the office of the secretary to the Board are as follows:

13th Floor
Bailian Central Plaza
1258 Zhen Guang Lu
Shanghai
The PRC
Tel: (8621) 5278 9576
Fax: (8621) 5279 7976

3. Each holder of Domestic Shares and Unlisted Foreign Shares who has the right to attend and vote at the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his/her/its behalf at the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares. A shareholder of the Company who has appointed more than one proxy may only vote by poll.
4. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointer, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified.
5. The proxy form or other documents of authority must be delivered to the office of the secretary to the Board, the address of which is set out in Note (3) above, not less than 24 hours before the time for holding the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares or any adjournment, thereof in order for such documents to be valid.
6. Shareholders shall produce their identity documents when attending the meeting. If a proxy attends the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares on behalf of a shareholder of the Company, he/she should produce his/her identity card and the instrument signed by the shareholder or his/her legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares, such legal representative should produce his/her identity card and valid documents evidencing his/her capacity as such legal representative. If a legal person share shareholder appoints a representative of the company other than its legal representative to attend the Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares, such representative should produce his/her identity card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.

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

Executive director:

Chong Xiao-bing;

Non-executive directors:

Pu Shao-hua, Shi Xiao-long, Hu Xiao,
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.

NOTICE OF H SHAREHOLDERS CLASS MEETING

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(Stock Code: 00980)

NOTICE OF H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN THAT a class meeting of holders of H Shares (the “**H Shareholders Class Meeting**”) of Lianhua Supermarket Holdings Co., Ltd. (the “**Company**”) for the year 2023 will be held at 11:00 a.m. on Thursday, 21 December 2023 (or immediately after the conclusion or adjournment of the class meeting of holders of Domestic Shares and Unlisted Foreign Shares of the Company which will be held at the same place and on the same date), or any adjournment thereof, at the Conference Room, 13th Floor, Bailian Central Plaza, 1258 Zhen Guang Lu, Shanghai, the People's Republic of China (the “**PRC**”), to consider and, if thought fit, pass the following special resolution (unless otherwise specified, capitalised terms used herein shall have the same meaning as defined in the circular of the Company dated 6 November 2023 (the “**Circular**”) containing the details of the following special resolution):

SPECIAL RESOLUTION

1. To approve the Proposed Amendments to the Articles of Association of Lianhua Supermarket Holdings Co., Ltd.

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

Shanghai, the PRC, 6 November 2023

NOTICE OF H SHAREHOLDERS CLASS MEETING

Notes:

1. Please refer to the Circular for details of the Proposed Amendments to Articles of Association.
2. The H shares share registrar of the Company will be closed from Tuesday, 21 November 2023 to Thursday, 21 December 2023 (both days inclusive), during which no transfer of H shares of the Company (“**H Shares**”) will be effected. Any holders of H shares, whose names appear on the Company’s Register of Members on Thursday, 21 December 2023, are entitled to attend and vote at the H Shareholders Class Meeting after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the H Shareholders Class Meeting, persons holding H Shares shall lodge share transfer documents and the relevant share certificates with the H Shares share registrar not later than 4:30 p.m. on Monday, 20 November 2023.
3. The address of the Company’s share registrar for share transfer of H Shares in Hong Kong is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong
4. Holders of H Shares, who intend to attend the H Shareholders Class Meeting, must complete the reply slips for attending the H Shareholders Class Meeting and return them to the office of the secretary to the Board not later than 20 days before the date of the H Shareholders Class Meeting. Details of the office of the secretary to the Board are as follows:

13th Floor
Bailian Central Plaza
1258 Zhen Guang Lu
Shanghai
The PRC
Tel: (8621) 5278 9576
Fax: (8621) 5279 7976
5. Each holder of H Shares who has the right to attend and vote at the H Shareholders Class Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his/her/its behalf at the H Shareholders Class Meeting. A shareholder of the Company who has appointed more than one proxy may only vote by poll.
6. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointer, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified.

NOTICE OF H SHAREHOLDERS CLASS MEETING

7. The proxy form or other documents of authority must be delivered to the office of the secretary to the Board, the address of which is set out in Note (3) above, not less than 24 hours before the time for holding the H Shareholders Class Meeting or any adjournment, thereof in order for such documents to be valid.
8. Shareholders shall produce their identity documents when attending the meeting. If a proxy attends the H Shareholders Class Meeting on behalf of a shareholder of the Company, he/she should produce his/her identity card and the instrument signed by the shareholder or his/her legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the H Shareholders Class Meeting, such legal representative should produce his/her identity card and valid documents evidencing his/her capacity as such legal representative. If a legal person shareholder appoints a representative of the company other than its legal representative to attend the H Shareholders Class Meeting, such representative should produce his/her identity card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.

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

Executive director:

Chong Xiao-bing;

Non-executive directors:

Pu Shao-hua, Shi Xiao-long, Hu Xiao,
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.