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

(Stock Code: 00980)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE LOGISTICS AND DELIVERY SERVICES FRAMEWORK AGREEMENT

LOGISTICS AND DELIVERY SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 24 December 2020 in relation to the entering into of the Existing Logistics and Delivery Services Framework Agreement, pursuant to which, Bailian Group agreed to provide logistics and delivery services to the Group, for a term commencing from 1 January 2021 to 31 December 2023 (both days inclusive).

As the Existing Logistics and Delivery Services Framework Agreement is expiring on 31 December 2023, the Board would like to announce that the Company entered into the Logistics and Delivery Services Framework Agreement with Bailian Group on 22 December 2023 to renew the related transactions under the Existing Logistics and Delivery Services Framework Agreement. Pursuant to which, Bailian Group agreed to provide logistics and delivery services to the Group, for a term commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. LOGISTICS AND DELIVERY SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 24 December 2020 in relation to the entering into of the Existing Logistics and Delivery Services Framework Agreement, pursuant to which, Bailian Group agreed to provide logistics and delivery services to the Group, for a term commencing from 1 January 2021 to 31 December 2023 (both days inclusive).

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The principal terms of the Logistics and Delivery Services Framework Agreement are summarised as follows:

Date : 22 December 2023

Parties : (1). The Company (as the service recipient); and
(2). Bailian Group (as the service provider)

Term : The Logistics and Delivery Services Framework Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Logistics and Delivery Services : Bailian Group and/or its subsidiaries and its associates agreed to provide logistics and delivery services to the Group. The logistics and delivery services and related ancillary services provided by Bailian Group include but not limited to delivery services, allocation services, returning and exchanging services, warehousing, operation and management services and information data services, to the Group on a non-exclusive basis. Among them, (i) the provision of delivery services by Bailian Group refers to the delivery of goods provided by Bailian Group and/or its subsidiaries and its associates to the Group at the various outlets of the Group; (ii) the provision of warehousing, operation and management services refers to the delivery of goods provided to the Group into the warehouse, storage, sorting and retrieval of goods from the warehouse; and (iii) information data services refer to the provision of information data relating to goods to the Group.

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

Consideration and Payment : The price for the logistics and delivery services under the Logistics and Delivery Services Framework Agreement is determined principally by arm's length negotiations according to the principles of fairness and reasonableness between the relevant parties (including the parties to individual logistics and delivery services contracts) based on the following pricing basis:

- (1). The logistics and delivery and related ancillary services provided under the Logistics and Delivery Services Framework Agreement shall be based on the market price of the same type of services in the industry;
- (2). The order quantity, delivery unit price and delivery area of related logistics and delivery services, as well as the order quantity, service type, unit price and service area of ancillary services thereof shall be taken into consideration; and
- (3). The prices for the services provided by Bailian Group to the Group shall not be less favourable than those available from independent third parties to the Group in similar transactions in the market.

The amounts payable under the individual logistics and delivery services contracts will be paid according to the terms of the individual logistics and delivery services contracts.

Historical Transaction Amounts

The Company has conducted similar transactions with Bailian Group in accordance with the Existing Logistics and Delivery Services Framework Agreement with respect to logistics and delivery services. On 24 December 2020, the Company entered into the Existing Logistics and Delivery Services Framework Agreement with Bailian Group, pursuant to which, Bailian Group agreed to provide logistics and delivery services to the Group, for a term commencing from 1 January 2021 to 31 December 2023 (both days inclusive).

The historical transaction amounts paid by the Group to Bailian Group for the logistics and delivery services for the two years ended 31 December 2021 and 2022 and for the period ended 30 November 2023 pursuant to the Existing Logistics and Delivery Services Framework Agreement were RMB3,208,300, RMB176,000 and RMB161,000, respectively. One purpose of entering into the Existing Logistics and Delivery Services Framework Agreement is that the Company planned to satisfy the needs of the logistics and delivery services from the Group's online business by using the logistics and delivery services provided by Bailian Group. Given the market conditions during the term of the Existing Logistics and Delivery Services Framework Agreement, since services from the Group's logistics centre can basically cover the needs of the Group's online business for logistics and delivery services in 2021, 2022 and for the period ended 30 November 2023, the Group did not require Bailian Group to provide logistics and delivery services as previously estimated and the historical transaction amounts for the aforementioned periods are relatively low.

Annual Caps

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

Period	Maximum Annual Transaction Amount <i>(RMB Million)</i>
From 1 January 2024 to 31 December 2024	8
From 1 January 2025 to 31 December 2025	9
From 1 January 2026 to 31 December 2026	10

Such maximum annual transaction amounts are determined in accordance with:

- (1). the historical transaction amounts with respect to the relevant logistics and delivery services and related ancillary services between the Group and Bailian Group;
- (2). the historical fees paid by the Group for the delivery of relevant goods in the regions where it carried out the operation of its shops; and

- (3). the anticipation that the online warehousing sales of the Company will continue to grow over the next three years due to the increasing reliance on online traffic as a result of the decline in offline customer traffic of the retail industry for recent years.

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

Following the continuous expansion of the e-commerce business of the Company, and the Company's own logistics construction is insufficient to meet the service needs of its online business, it has engaged several third party logistics companies as its logistics service providers. Bailian Group can provide logistics services of good quality with its hardware devices, information system, storage capabilities and experience in logistics services, and the logistics fees charged by it are reasonable in comparison with the prevailing market rates. Entering into the Logistics and Delivery Services Framework Agreement will change the current condition that the Company's supply chains cannot support its development in some of the regions and improve its overall supply chain in a fast way.

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

Internal Control and Pricing Policy

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

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

- (2). The Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. The relevant personnel of the business department of the Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for specific transactions are fair and reasonable and in accordance with the aforesaid pricing policy.
- (3). The Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions.
- (4). The Company's audit committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company.
- (5). The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

II. LISTING RULES IMPLICATIONS

As at the date of this announcement, Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

III. BOARD'S APPROVAL

The Board has approved the entering into of the Logistics and Delivery Services Framework Agreement and its annual caps, and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Mr. Pu Shao-hua, Mr. Shi Xiao-long, Mr. Chong Xiao-bing, Ms. Zhang Shen-yu and Mr. Dong Xiao-chun are either holding senior positions or are directors in Bailian Group and/or its subsidiaries, they have abstained from voting on the relevant resolution of the Board to approve the entering into of the Logistics and Delivery Services Framework Agreement. Save as disclosed above, none of the other Directors was required to abstain from voting to approve the resolution in relation to the continuing connected transactions.

IV. GENERAL INFORMATION

Information of the Company

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

Information of Bailian Group

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

V. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Bailian Group”	Bailian Group Co., Ltd.* (百聯集團有限公司), a limited liability company incorporated in the PRC and a substantial Shareholder of the Company
“Board”	the board of Directors of the Company
“Company”	Lianhua Supermarket Holdings Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Logistics and Delivery Services Framework Agreement”	the logistics and delivery services framework agreement entered into between the Company and Bailian Group on 24 December 2020. Please refer to the announcement of the Company dated 24 December 2020 for details
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Logistics and Delivery Services Framework Agreement”	the logistics and delivery services framework agreement entered into between the Company and Bailian Group on 22 December 2023, details of which are disclosed in this announcement
“PRC”	the People’s Republic of China (for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Shanghai, the People’s Republic of China, 22 December 2023

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

Executive Director: Chong Xiao-bing;

Non-executive Directors: Pu Shao-hua, Shi Xiao-long, 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.

* *For identification purpose only*