

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

RENEWAL OF THE EXISTING CONTINUING CONNECTED TRANSACTION

RENEWAL OF THE EXISTING CENTRAL BAILIAN LEASING AGREEMENT

Reference is made to the announcement of the Company dated 2 March 2009, relating to, among others, the leasing of the Central Bailian Premise under the Existing Central Bailian Leasing Agreement between the Company, as the tenant, and Bailian Central, a wholly-owned subsidiary of Shanghai Bailian, as the landlord.

In September 2014, the counterparty to the Existing Central Bailian Leasing Agreement was changed from the Company to Century Lianhua West Commercial Central Branch, a branch of Century Lianhua West Commercial.

On 13 September 2024, Century Lianhua West Commercial and Bailian Central agreed to renew the Existing Central Bailian Leasing Agreement by entering into the Termination Agreement and the New Central Bailian Leasing Agreements in relation to the Hypermarket Lease and Freight Elevator and Receiving Area Lease. Pursuant to the renewal of the Existing Central Bailian Leasing Agreement, Bailian Central and Century Lianhua West Commercial agreed to change the leasing area of Central Bailian Premises from approximately 13,170.02 sq.m. to a total of approximately 6,360.19 sq.m. and change the original lease term for a period of 20 years from 21 December 2006 to 20 December 2026 to a new lease term of 10 years commencing from 1 September 2024 to 31 August 2034.

LISTING RULES IMPLICATIONS

Based on HKFRs 16, the entering into of the New Central Bailian Leasing Agreements will require the Company to recognise the right-of-use asset in the consolidated financial statements of the Group in connection with the tenancy of the Central Bailian Premises. As such, under the Listing Rules, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder will be regarded as a discloseable transaction under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transactions under the New Central Bailian Leasing Agreements, calculated based on the value of the right-of-use assets of the Central Bailian Premises under the New Central Bailian Leasing Agreements is more than 5% but less than 25%, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Shanghai Bailian is a substantial Shareholder, and Bailian Central is a direct wholly-owned subsidiary of Shanghai Bailian. As such, Bailian Central is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder will be regarded as a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transactions under the New Central Bailian Leasing Agreements, calculated based on the value of the right-of-use assets of the Central Bailian Premises under the New Central Bailian Leasing Agreements is more than 5%, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if appropriate, approve the renewal of the Existing Central Bailian Leasing Agreement and the transactions contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the relevant connected transactions) will be formed to advise the Independent Shareholders on the renewal of the Existing Central Bailian Leasing Agreement. The Company has appointed Lego as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the renewal of the Existing Central Bailian Leasing Agreement in accordance with the Listing Rules.

A circular containing, among other things, (i) particulars of the renewal of the Existing Central Bailian Leasing Agreement; (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 19 November 2024, which is beyond 15 business days after the publication of this announcement as additional time is required for the Company to prepare the circular and other relevant information for the EGM.

BACKGROUND

Reference is made to the announcement of the Company dated 2 March 2009, relating to, among others, the leasing of the Central Bailian Premise under the Existing Central Bailian Leasing Agreement between the Company, as the tenant, and Bailian Central, a wholly-owned subsidiary of Shanghai Bailian, as the landlord.

In September 2014, the counterparty to the Existing Central Bailian Leasing Agreement was changed from the Company to Century Lianhua West Commercial Central Branch, a branch of Century Lianhua West Commercial.

On 13 September 2024, Century Lianhua West Commercial and Bailian Central agreed to renew the Existing Central Bailian Leasing Agreement by entering into the Termination Agreement and the New Central Bailian Leasing Agreements in relation to the Hypermarket Lease and Freight Elevator and Receiving Area Lease. Pursuant to the renewal of the Existing Central Bailian Leasing Agreements, Bailian Central and Century Lianhua West Commercial agreed to change the leasing area of Central Bailian Premises from approximately 13,170.02 sq.m. to a total of approximately 6,360.19 sq.m. and change the original lease term for a period of 20 years from 21 December 2006 to 20 December 2026 to a new lease term of 10 years commencing from 1 September 2024 to 31 August 2034.

RENEWAL OF THE EXISTING CENTRAL BAILIAN LEASING AGREEMENT

On 13 September 2024, Century Lianhua West Commercial and Bailian Central agreed to renew the Existing Central Bailian Leasing Agreement by entering into the Termination Agreement and the New Central Bailian Leasing Agreements in relation to the Hypermarket Lease and Freight Elevator and Receiving Area Lease, the principal terms of which are summarised as follows:

A. Termination Agreement

Date

13 September 2024

Parties

- (1) Century Lianhua West Commercial (as the tenant); and
- (2) Bailian Central (as the landlord)

Premises

Portion of area located at No. 1288 Zhenguang Road, Putuo District, Shanghai, the PRC with a leasing area of approximately 13,702.02 sq.m.

Principal Terms

The landlord and the tenant agreed to terminate the Existing Central Bailian Leasing Agreement, and to revise the leasing area and lease term by entering into the New Central Bailian Leasing Agreements.

B. New Central Bailian Leasing Agreements

Date

13 September 2024

Parties

- (1) Century Lianhua West Commercial (as the tenant); and
- (2) Bailian Central (as the landlord)

Term

The New Central Bailian Leasing Agreements are for a term of ten years commencing from 1 September 2024 to 31 August 2034 (both days inclusive).

Central Bailian Premises

Address: certain portion of the B1 floor and the ground floor of No. 1288, Zhenguang Road, Putuo District, Shanghai, the PRC

Total leasing area: approximately 6,360.19 square meters in total, comprising (x) a leasing area of 6,263.37 sq.m. for hypermarket business and (y) a leasing area of 96.82 sq.m. for freight elevator and receiving area on ground floor

Major terms of the New Central Bailian Leasing Agreements

	New Central Bailian Hypermarket Leasing Agreement	New Central Bailian Freight Elevator and Receiving Area Leasing Agreement
Leasing Area:	approximately 6,263.37 sq.m. for hypermarket business	approximately 96.82 sq.m. for freight elevator and receiving area on ground floor

Pursuant to renewal of the Existing Central Bailian Leasing Agreement, Century Lianhua West Commercial and Bailian Central agreed to change the leasing area of Central Bailian Premises from 13,170.02 sq.m. to a total of 6,360.19 sq.m. comprising (x) a leasing area of 6,263.37 sq.m. for hypermarket business and (y) a leasing area of 96.82 sq.m. for freight elevator and receiving area on ground floor.

Term: Under the New Central Bailian Leasing Agreements, the lease term of each of the Hypermarket Lease and the Freight Elevator and Receiving Area Lease shall be 10 years commencing from 1 September 2024 to 31 August 2034.

Rent:

The monthly rent (exclusive of taxes) of Hypermarket Lease payable shall be calculated based on the unit rent (exclusive of taxes) in a range of RMB3.15 to RMB3.83 per sq.m. per day during the term of the Hypermarket Lease. Details of the rental during the term of New Central Bailian Hypermarket Leasing Agreement are set out below:

Period	Unit Rental (Exclusive of Taxes)
From 1 September 2024 to 30 November 2024	RMB3.15 per sq.m. per day
From 1 December 2024 to 31 December 2024	RMB3.27 per sq.m. per day
From 1 January 2025 to 20 December 2027	RMB3.31 per sq.m. per day
From 21 December 2027 to 20 December 2030	RMB3.48 per sq.m. per day
From 21 December 2030 to 20 December 2033	RMB3.65 per sq.m. per day
From 21 December 2033 to 31 August 2034	RMB3.83 per sq.m. per day

The monthly rent (exclusive of taxes) of Freight Elevator and Receiving Area Lease payable shall be calculated based on the unit rent (exclusive of taxes) in a range of RMB2.28 to RMB2.78 per sq.m. per day during the term of the Freight Elevator and Receiving Area Lease. Details of the rental during the term of New Central Bailian Freight Elevator and Receiving Area Leasing Agreement are set out below:

Period	Unit Rental (Exclusive of Taxes)
From 1 September 2024 to 20 December 2024	RMB2.28 per sq.m. per day
From 21 December 2024 to 20 December 2027	RMB2.40 per sq.m. per day
From 21 December 2027 to 20 December 2030	RMB2.52 per sq.m. per day
From 21 December 2030 to 20 December 2033	RMB2.65 per sq.m. per day
From 21 December 2033 to 31 August 2034	RMB2.78 per sq.m. per day

Management Fee: During the term of New Central Bailian Hypermarket Leasing Agreement, the unit property management fee (inclusive of taxes) for the Hypermarket Lease shall be RMB0.7586 per sq.m. per day. During the term of New Central Bailian Freight Elevator and Receiving Area Leasing Agreement, the unit property management fee (inclusive of taxes) for the Freight Elevator and Receiving Area Lease shall be RMB1 per sq.m. per day.

The total property management fee (inclusive of taxes) payable by the Group under the New Central Bailian Leasing Agreements is approximately RMB17,695,975.2.

Payment method: During the term of the New Central Bailian Leasing Agreements, the rent and property management fees are payable in advance by Century Lianhua West Commercial on a quarterly basis.

Save as disclosed above, other terms are similar to the Existing Central Bailian Leasing Agreement.

The right-of-use asset

The unaudited value of the right-of-use asset recognised by the Company under the New Central Bailian Leasing Agreements amounts to approximately RMB70 million in aggregate, which is the present value of the total base rental payable during the term of the New Central Bailian Leasing Agreements in accordance with HKFRs 16.

REASONS FOR AND BENEFITS OF THE RENEWAL OF THE EXISTING CENTRAL BAILIAN LEASING AGREEMENT

The shop located in the Central Bailian Premises has been operating for about 18 years since its opening on 21 December 2006, with convenient transportation (2 bus stops and 7 bus lines within 300 meters; about 800 meters away from Zhenguang Road Station of Metro Line 14) and high density of residential population in the vicinity. Meanwhile, Central Bailian Premises is located in the key commercial area of Putuo District, which is a warm and quality new landmark for the Central Business Circle in the “One Core, Four Pillars” commercial landmarks of Putuo District. In order to better support the shop located in the Central Bailian Premises in responding to new consumer demand, promote the adjustment and upgrading of its segments, enrich the supply of personalized, quality and experiential consumption, and meet the high-quality consumption demand of the residents, the shop located in the Central Bailian Premises is ready to be upgraded and reconstructed. In order to better facilitate the store transformation and long-term operation, the New Central Bailian Leasing Agreements are proposed to be entered into to increase the lease term and reduce the lease area so as to enhance profitability and store stability.

In addition, by entering into the New Central Bailian Leasing Agreements, the Company will cut down the leasing area, while the extension of the lease term will be conducive to store renovation and long-term operation, which will enable the Group to effectively reduce costs and seek opportunities to optimize the sales structure, thereby enhancing the Group’s profitability. Furthermore, the extension of the term of the leasing of Central Bailian Premises will contribute to the stability of the Company’s operations in the medium- to long-term.

The terms of the New Central Bailian Leasing Agreements were determined after arm’s-length negotiation between the parties and the rental fee was determined with reference to (i) the prevailing market rental fee for similar premises in comparable locations of the leased premises under the New Central Bailian Leasing Agreements; (ii) the unit cost of rental increment of approximately 5% for each rental period throughout the lease term under the New Central Bailian Leasing Agreement with reference to the combined effect of, among others, the expected annual inflation rate and the projected annual growth rate in the market rental for similar premises in comparable locations throughout the lease term; and (iii) the long tenure under the New central Bailian Leasing Agreements.

The Directors (excluding independent non-executive Directors, whose opinion on the matters will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) consider that the New Central Bailian Leasing Agreements and the transactions contemplated thereunder (including the amended price for the Central Bailian Premises) are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

BOARD'S APPROVAL

The Board has approved the entering into of the Termination Agreement and the New Central Bailian Leasing Agreements and none of the Directors has any material interest in the transactions contemplated thereunder.

Since Mr. Pu Shao-hua, Ms. Zhang Hui-qin, Mr. Chong Xiao-bing, Ms. Zhang Shen-yu and Ms. Yang Qin 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 Termination Agreement and the New Central Bailian Leasing Agreements. Save as disclosed above, none of the other Directors was required to abstain from voting to approve the relevant Board resolution.

GENERAL INFORMATION

Information of the Company

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

Information of the Century Lianhua West Commercial

Century Lianhua West Central is a company incorporated under the laws of the PRC, and is principally engaged in operating hypermarkets located within the Central Bailian Premises, Shanghai. As at the date of this announcement, Century Lianhua West Central is an indirect wholly-owned subsidiary of the Company.

Information of the Bailian Central

Bailian Central is a company incorporated under the laws of the PRC, and is principally engaged in food sales, liquor business, retail sales of edible agricultural products, sales of daily necessities, restaurant management, real estate brokerage, leasing of non-residential real estate, etc. As at the date of this announcement, Bailian Central is a wholly-owned subsidiary of Shanghai Bailian, which is a company incorporated in the PRC with its A shares listed on the Shanghai Stock Exchange (stock code: 600827/900923) and a subsidiary of Bailian Group.

LISTING RULES IMPLICATIONS

Based on HKFRs 16, the entering into of the New Central Bailian Leasing Agreements will require the Company to recognise the right-of-use asset in the consolidated financial statements of the Group in connection with the tenancy of the Central Bailian Premises. As such, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder will be regarded as a discloseable transaction under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transaction under the New Central Bailian Leasing Agreements, calculated based on the value of the right-of-use assets of the Central Bailian Premises under the New Central Bailian Leasing Agreements is more than 5% but less than 25%, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Shanghai Bailian is a substantial Shareholder, and Bailian Central is a direct wholly-owned subsidiary of Shanghai Bailian. As such, Bailian Central is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder will be regarded as a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transactions under the New Central Bailian Leasing Agreements, calculated based on the value of the right-of-use assets of the Central Bailian Premises under the New Central Bailian Leasing Agreements is more than 5%, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened for the Independent Shareholders to consider and, if appropriate, approve the renewal of the Existing Central Bailian Leasing Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Bailian Group and its subsidiary, Shanghai Bailian, held an aggregate of approximately 513,869,400 Shares, representing approximately 45.90% of the issued share capital of the Company. Bailian Group and/or its subsidiaries, being a party to the New Central Bailian Leasing Agreements, have material interests in the relevant connected transactions. Therefore, Bailian Group and Shanghai Bailian are required to abstain from voting on the relevant resolutions in relation to the renewal of the Existing Central Bailian Leasing Agreement to be proposed at the EGM.

Saved as disclosed above, no other Shareholders would be required to abstain from voting to approve the resolutions in relation to the relevant connected transactions at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the relevant connected transactions) will be formed to advise the Independent Shareholders on the renewal of the Existing Central Bailian Leasing Agreement. The Company has appointed Lego as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the renewal of the Existing Central Bailian Leasing Agreement in accordance with the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) particulars of the renewal of the Existing Central Bailian Leasing Agreement; (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 19 November 2024, which is beyond 15 business days after the publication of this announcement as additional time is required for the Company to prepare the circular and other relevant information for the EGM.

DEFINITIONS

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

“Bailian Central”	Shanghai Bailian Central Shopping Plaza Co., Ltd. * (上海百聯中環購物廣場有限公司), a wholly-owned subsidiary of Shanghai Bailian
“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
“Board”	the board of Directors of the Company
“Central Bailian Premises”	certain portion of the B1 floor and the ground floor of the premise located at No. 1288, Zhenguang Road, Putuo District, Shanghai, the PRC
“Century Lianhua West Commercial”	Shanghai Century Lianhua West Commercial Co., Ltd.* (上海世紀聯華西部商業有限公司), a wholly-owned subsidiary of the Company
“Century Lianhua West Commercial Central Branch”	Shanghai Century Lianhua West Commercial Co., Ltd. Central Branch* (上海世紀聯華西部商業有限公司中環路店), a branch of the Century Lianhua West Commercial

“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 (Stock Code:980)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the New Central Bailian Leasing Agreements
“Existing Central Bailian Leasing Agreement”	the leasing agreement dated 15 September 2006 entered into between Century Lianhua West Commercial Central Branch as tenant and Bailian Central as landlord regarding the leasing of Central Bailian Premises
“Freight Elevator and Receiving Area Lease”	The leasing area of 96.82 sq.m. located at the ground floor of the Central Bailian Premises for freight elevator and receiving area
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hypermarket Lease”	The leasing area of 6,263.37 sq.m. located at the B1 floor of the Central Bailian Premises for hypermarket business
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the renewal of the Existing Central Bailian Leasing Agreement and the transactions contemplated thereunder

“Independent Shareholders”	Shareholders other than those who have a material interest in the renewal of the Existing Central Bailian Leasing Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lego” or “Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the renewal of the Existing Central Bailian Leasing Agreement and transactions contemplated thereunder
“New Central Bailian Freight Elevator and Receiving Area Leasing Agreement”	the new leasing agreement dated 13 September 2024 entered into between Century Lianhua West Commercial and Bailian Central in relation to the Freight Elevator and Receiving Area Lease
“New Central Bailian Hypermarket Leasing Agreement”	the new leasing agreement dated 13 September 2024 entered into between Century Lianhua West Commercial and Bailian Central in relation to the Hypermarket Lease
“New Central Bailian Leasing Agreements”	the new leasing agreements dated 13 September 2024 entered into between Century Lianhua West Commercial and Bailian Central in relation to the Central Bailian Premises, namely, the New Central Bailian Hypermarket Leasing Agreement and the New Central Bailian Freight Elevator and Receiving Area Leasing Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shanghai Bailian”	Shanghai Bailian Group Co., Limited* (上海百聯集團股份有限公司), a substantial Shareholder
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the termination agreement dated 13 September 2024 entered into between Century Lianhua West Commercial and Bailian Central in relation to the leasing of the Central Bailian Premises
“%”	per cent

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

Shanghai, the PRC, 13 September 2024

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

Executive Directors: Chong Xiao-bing and Zhang Hui-qin;

Non-executive Directors: Pu Shao-hua, Hu Xiao, Zhang Shen-yu, Yang Qin 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*