

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
(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF YIWU CITY LIFE
AND
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY

THE ACQUISITION

The Board is pleased to announce that on 19 September 2014, the Company entered into the Acquisition Agreement with Bailian Group, pursuant to which the Company as the purchaser agreed to purchase, and Bailian Group agreed to sell, the entire equity interest in Yiwu City Life. Yiwu City Life owns the Yiwu Property and is principally engaged in the development and operation of the Yiwu Property, which is expected to develop into a mega hypermarket.

The consideration for the Acquisition is RMB898,000,000 (equivalent to approximately HK\$1,128,140,704) which shall be satisfied by the issuance and allotment of 284,177,300 Consideration Shares by the Company to Bailian Group at the Issue Price of HK\$3.97 (equivalent to approximately RMB3.16) per Domestic Share within 60 days after the Completion Date.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the announcement and shareholders' approval requirements.

As at the date of this announcement, Bailian Group, together with its subsidiaries Shanghai Bailian and Baiqing Investment, collectively holds 63.90% of the total issued shares of the Company. Accordingly, Bailian Group is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and approvals by the Shareholders at the EGM and separate Class Meetings.

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY

The Board proposed to amend the Articles of Associations to reflect (i) the change of name of Shanghai Bailian and Baiqing Investment; and (ii) the allotment of new Domestic Shares resulting from the Acquisition.

DESPATCH OF CIRCULAR

The Company expects that a circular containing, among other things, (i) further details of the Acquisition and the Acquisition Agreement; (ii) the recommendation of the Independent Board Committee to the Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders; (iv) further details of the proposed amendments to the Articles of Association; and (v) notices of the EGM and separate Class Meetings and forms of proxy will be despatched to Shareholders. As additional time is required to obtain approval from the shareholders of Shanghai Bailian in connection with condition to the Acquisition set out in paragraph (b) of the paragraph headed “Conditions Precedent to Completion of the Acquisition” below, the circular is expected to be despatched to the Shareholders on or before 20 October 2014.

WARNING

The Acquisition is subject to a number of conditions including approval from the shareholders of Shanghai Bailian, approvals by the Shareholders at the EGM and separate Class Meetings in accordance with the Articles of Association, which may or may not be fulfilled. In the event that any of the conditions to the Completion is not fulfilled, the Acquisition will not proceed.

SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

Reference is made to the announcement of the Company dated 9 September 2014 in relation to the Framework Agreement and the proposed acquisition of Yiwu City Life.

On 19 September 2014, the Company and Bailian Group entered into the Acquisition Agreement for the acquisition of the entire equity interest in Yiwu City Life, which owns the Yiwu Property. Details of the Acquisition Agreement and the Acquisition are set out below:

THE ACQUISITION

The Acquisition Agreement

Date

19 September 2014

Parties

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

Subject matter

The Company agreed to acquire, and Bailian Group agreed to sell, the entire equity interest in Yiwu City Life, subject to the terms and conditions of the Acquisition Agreement. Yiwu City Life is a limited liability company incorporated in the PRC, which holds the Yiwu Property, a mega hypermarket located at No.168 Wang Dao Lu, Yiwu, Zhejiang Province.

Further details of Yiwu City Life and Yiwu Property are set out in the paragraph headed “Information of the relevant parties to the Acquisition – Information on Yiwu City Life” below.

Consideration

The consideration for the Acquisition is RMB898,000,000 which shall be satisfied by the issuance and allotment of 284,177,300 Consideration Shares by the Company to Bailian Group at the Issue Price of HK\$3.97 (equivalent to approximately RMB3.16) per Domestic Share within 60 days after the Completion Date.

Further information on the Consideration Shares and the effect of the issuance of the Consideration Shares on the shareholding of the Company is set out in the paragraphs headed “Information on the Consideration Shares” and “Effect of the Acquisition on the shareholding structure of the Company” below.

Basis of the Consideration

The consideration was determined after arm’s length negotiation between the Company and Bailian Group on normal terms after taking into account a number of factors including, but not limited to, the unaudited net asset value of Yiwu City Life based on its latest management account, the property valuation on the Yiwu Property prepared by an independent property valuer and the importance and expected contribution of the Yiwu Property to the Company. As at 31 July 2014, the unaudited net asset value of Yiwu City Life amounted to approximately RMB826 million and the property valuation on the Yiwu Property prepared by the independent property valuer amounted to approximately RMB920 million by adopting the income capitalisation approach.

Completion

Completion of the Acquisition Agreement will take place on the Completion Date. Upon Completion, the Company will hold the entire equity interest in Yiwu City Life, and Yiwu City Life will become a wholly-owned subsidiary of the Company.

The Consideration Shares will be allotted and issued to Bailian Group within 60 days after Completion upon the completion of certain procedures relating to the allotment and issuance of the Domestic Shares under the PRC laws, including but not limited to:

- (a) completion of the registration procedures with the Shanghai Administration for Industry and Commerce on the enlarged registered capital of the Company; and
- (b) the registration with China Securities Depository and Clearing Corporation Limited on the issuance of the Consideration Shares.

Upon Completion, Bailian Group shall deliver the statutory records and minutes (until to the Completion Date), the certificate of incorporation, the certificate of incorporation on change of name (if any), the business registration certificate (or its equivalents), any license stamp and common seal and other documents and records, including each of the memorandum and articles of association (or its equivalents), of Yiwu City Life to the Company or otherwise deliver under the Company’s instructions as soon as reasonably practicable, which shall be no more than 3 Business Days from the Completion Date.

CONDITIONS PRECEDENT TO COMPLETION OF THE ACQUISITION

Completion of the Acquisition Agreement is conditional upon the fulfilment or waiver (as the case may be) of the following conditions precedent:

- (a) approvals having been obtained from the Shareholders at the EGM and separate Class Meetings in accordance with the Articles of Association and the Listing Rules for:
 - (i) the Acquisition and the terms and conditions of the Acquisition Agreement;
 - (ii) the allotment and issuance of the Consideration Shares under the Specific Mandate approved by special resolutions of the Shareholders; and
 - (iii) the proposed amendments to the Articles of Association consequential to the Acquisition;
- (b) approval having been obtained from the shareholders of Shanghai Bailian, a controlling shareholder of the Company, at a general meeting of Shanghai Bailian for the Acquisition and the terms and conditions of the Acquisition Agreement;
- (c) the Acquisition Agreement, the issuance of the Consideration Shares and the transactions contemplated thereunder having been approved by state-owned assets supervision and administration authorities or its authorized representatives and the valuation report in relation to the Acquisition been filed and registered with the state-owned assets supervision and administration authorities or its authorized representatives;
- (d) approval having been obtained from the Shanghai Municipal Commission of Commerce on the amendments of Articles of Association consequential to the Acquisition;
- (e) completion of the registration procedures with the Yiwu Administration for Industry and Commerce on the transfer of the equity interest of Yiwu City Life;
- (f) all necessary licences, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, creditors and shareholders of Yiwu City Life, other relevant third parties and/or governmental or regulatory authorities or bodies (including the relevant PRC and Hong Kong bodies), which are required for the execution and performance of the Acquisition Agreement having been obtained and not having been revoked prior to Completion;
- (g) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restricts or prohibits the implementation of the transactions contemplated under the Acquisition Agreement;
- (h) the warranties given by the Company in the Acquisition Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;
- (i) the warranties given by Bailian Group in the Acquisition Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;

- (j) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of Yiwu City Life having occurred since 31 December 2013;
- (k) Bailian Group having performed and complied with all agreements, obligations and conditions contained in the Acquisition Agreement that are required to be performed or complied with by it on or before Completion; and
- (l) the Company having conducted and completed due diligence on all business, legal and financial matters, and all such other matters as deemed necessary by the Company in its absolute discretion, in relation to Yiwu City Life, and the Company being satisfied with the results of such due diligence in its absolute discretion.

If any of the conditions has not been fulfilled, waived by Bailian Group (as the case maybe, in respect of paragraph (h) above), or waived by the Company (in respect of paragraphs (i) to (l) above), by 31 March 2015 (or such later date as the parties to the Acquisition Agreement may agree in writing), the Acquisition Agreement shall be terminated and no party shall have any claim against the other, except in respect of any antecedent breach of the terms thereof.

INFORMATION ON THE CONSIDERATION SHARES

The Consideration Shares

A total of 284,177,300 Consideration Shares, being all new Domestic Shares, will be issued by the Company to Bailian Group within 60 days after the Completion Date pursuant to the Acquisition Agreement. Assuming there is no change in the issued share capital of the Company from the date of this announcement and up to the date of the allotment of the Consideration Shares, the number of Consideration Shares represents:

- (a) approximately 39.72% and 25.38% of the existing total issued Domestic Shares and the existing total issued share capital of the Company, respectively, as at the date of this announcement; and
- (b) approximately 28.43% and 20.24% of the total issued Domestic Shares and the total issued share capital of the Company, as enlarged by the allotment and issuance of the Consideration Shares upon Completion.

The issuance of the Consideration Shares is subject to the Specific Mandate to be approved by special resolution at the EGM and the separate Class Meetings conducted in accordance with the Articles of Association and the Listing Rules. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves, and with the Domestic Shares then in issue on the day of the issuance of the Consideration Shares, and be entitled to all dividends and other rights attached to the Domestic Shares from the date of allotment.

Upon Completion, Bailian Group (itself and through its direct and indirect subsidiaries) shall remain as the largest shareholder of the Company. Therefore, the Acquisition will not result in a change in control of the Company.

The Issue Price

The Company entered into the Framework Agreement with Bailian Group on 9 September 2014. The Issue Price of the Consideration Shares at HK\$3.97 (equivalent to approximately RMB3.16) per Domestic Share was determined on 9 September 2014 pursuant to the Framework Agreement based on arm's length negotiations between the Company and Bailian Group with reference to the average closing price of approximately HK\$4.55 per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to 5 September 2014 (being the last trading day prior to entering into the Framework Agreement) and represents:

- (a) a discount of approximately 12.75% to the average of the closing price of the H Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 5 September 2014 (being the last trading day prior to entering into the Framework Agreement) of approximately HK\$4.55 per H Share;
- (b) a discount of approximately 13.51% to the closing price of the H Shares of HK\$4.59 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 13.32% to the average of the closing price of the H Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$4.58 per H Share; and
- (d) a discount of approximately 15.71% to the average of the closing price of the H Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$4.71 per H Share.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Yiwu is a key city in Zhejiang Province in the PRC, and the Yiwu market has high potential for the Company's sustainable development. Situated in a prime location in the Yiwu city with good infrastructure, the Yiwu Property is expected to become a commercial landmark which will attract potential young and well-heeled customers, as well as popular brands to rent the retail spaces. By acquiring the Yiwu Property which is expected to become one of the largest flagship hypermarkets in Yiwu city, the Company expects to obtain a larger market share in the Yiwu retail market. The Company expects the leasing of the retail spaces at the Yiwu Property will bring in stable monthly income. The Company also expects to attract more customers to the Yiwu Property leveraging on the market influence of reputable tenants, which is constructive to the development of hypermarket businesses. It is therefore advantageous and important for the Company to secure a leading position in the retail chain business in Yiwu by the Acquisition. As the Company is principally engaged in the retail chain business, operating chains of supermarkets, hypermarkets and convenient stores in the PRC, the Acquisition is in line with the core business of the Company and would enhance and supplement the property portfolio of the Company.

Taking into consideration the reasons for and benefit of the Acquisition to the Group, the Directors (excluding the independent non-executive Directors, the opinion of whom after taking into account the advice from the Independent Financial Adviser will be included in the Circular) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors, the opinion of whom after taking into account the advice from the Independent Financial Adviser will be included in the Circular)

are also of the view that the terms of the Acquisition Agreement, including the consideration of the Acquisition and the Issue Price, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the issued share capital of the Company from the date of this announcement and up to the date of the issuance of the Consideration Shares, the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately after Completion and including issuance of the Consideration Shares will be as follows:

	As at the date of this announcement		Immediately after Completion (including issuance of the Consideration Shares)	
	Number of Shares held	Approximate percentage to the total issued share capital	Number of Shares held	Approximate percentage to the total issued share capital
Domestic Shares				
Bailian Group	97,416,000	8.7%	381,593,300	27.18%
Shanghai Bailian (<i>Note 1</i>)	380,952,000	34.03%	380,952,000	27.14%
Baiqing Investment (<i>Note 1</i>)	237,029,400	21.17%	237,029,400	16.89%
Unlisted Foreign Shares				
Wong Sun Hing Investment Company Limited	31,602,600	2.82%	31,602,600	2.25%
H Shares				
Other public shareholders	<u>372,600,000</u>	<u>33.28%</u>	<u>372,600,000</u>	<u>26.54%</u>
Total	<u><u>1,119,600,000</u></u>	<u><u>100%</u></u>	<u><u>1,403,777,300</u></u>	<u><u>100%</u></u>

Note 1: Shanghai Bailian is owned as to 43.50% by Bailian Group, and Baiqing Investment is wholly-owned by Shanghai Bailian. Each of Shanghai Bailian and Baiqing Investment is a subsidiary of Bailian Group.

INFORMATION OF THE RELEVANT PARTIES TO THE ACQUISITION

Information on the Company

The Company was incorporated in the PRC and the H Shares are listed on the main board of the Stock Exchange. The Company is principally engaged in retail chain business, operating hypermarkets, supermarkets and convenience stores in the PRC.

Information on Bailian Group

Bailian Group was incorporated in the PRC with limited liability. Bailian Group is principally engaged in businesses relating to domestic trading, provision of production materials, logistics and development of commercial properties.

Information on Yiwu City Life

Yiwu City Life, a wholly-owned subsidiary of Bailian Group, is a limited liability company incorporated in the PRC on 13 April 2011 with registered capital of RMB830 million as at the date of this announcement. Yiwu City Life owns the Yiwu Property and is principally engaged in the development and operation of the Yiwu Property. The cost of establishment of Yiwu City Life by Bailian Group was approximately RMB830 million.

Information on the Yiwu Property

The Yiwu Property is located in Yiwu City, which is a key city of Zhejiang province in the PRC with a registered population of 750,000 and a floating population of 1,595,000. Prior to the Acquisition, Yiwu City Life entered into a leasing agreement in relation to Yiwu Property on 15 July 2014 with Zhejiang Century Lianhua Supermarket Co., Ltd., a subsidiary of the Company. Pursuant to which, Zhejiang Century Lianhua Supermarket Co., Ltd., agreed to lease the Yiwu Property for RMB54 million per annum from Yiwu City Life commencing from 15 July 2014 to 14 July 2015 (both days inclusive). By leasing the Yiwu Property, Zhejiang Century Lianhua Supermarket Co., Ltd. can receive professional and high-quality services provided by the lessor of the property and also attract more customers due to the market influence of Bailian Group, which is constructive to the development of hypermarket business of the Company. For further details, please refer to the announcement dated 15 July 2014.

Upon Completion, the Yiwu Property shall consist of a hypermarket to be owned and operated by the Company, as well as retail spaces and car parking spaces available for leasing. The Yiwu Property is well-connected to the Yiwu city's transportation network by its proximity to various bus stops.

The construction of the Yiwu Property was completed in July 2014, which has a total site area of 19,151.66 sq.m., with a total gross floor area of 78,978.26 sq.m. as at 31 July 2014. The Yiwu Property comprises seven storeys which includes two underground floors and five floors above ground level. The two underground floors and the fourth and fifth floors are expected to be used as parking lots. The first, second and third floors are expected to include a hypermarket and retail stores. The hypermarket started business on 28 August 2014, becoming one of the largest flagship hypermarkets in Yiwu city and providing high-quality one-stop shopping convenience to the citizens of Yiwu city. The Yiwu Property is expected to provide wide range of products including home electrical appliances, fresh food and daily necessities.

Financial Information of Yiwu City Life

For each of the two years ended 31 December 2012 and 2013, as Yiwu City Life had not yet commenced any operations or business, there was no revenue for Yiwu City Life nor had it recorded any profit or loss during the relevant period. For the seven months ended 31 July 2014, there was no revenue for Yiwu city Life and the unaudited total loss during the relevant period was approximately RMB4.12 million due to administrative expenses.

As at 31 December 2013 and 31 July 2014, the unaudited net asset values of Yiwu City Life were approximately RMB10 million and RMB826 million, respectively. The unaudited total assets of Yiwu City Life as at 31 December 2013 and 31 July 2014 were approximately RMB817.63 million and RMB873.58 million, respectively.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the announcement and shareholders' approval requirements.

As at the date of this announcement, Bailian Group, together with its subsidiaries Shanghai Bailian and Baiqing Investment, collectively holds 63.90% of the total issued shares of the Company. Accordingly, Bailian Group is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and approval by the Shareholders at the EGM and separate Class Meetings.

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY

a) In order to reflect the change of name of Shanghai Bailian from Shanghai Friendship Group Incorporated Company and Baiqing Investment from Shanghai Bailian Group Investment Co., Ltd., the Board proposed to amend Article 1 and Article 21 of the Articles of Association. The amendments are as follows:

i. Original third paragraph of Article 1 of the Articles of Association as set out below:

“The promoters of the Company are: Shanghai Friendship Group Incorporated Company (“Friendship Group”), Shanghai Industrial United (Group) Commercial Network Development Company Limited (“Shanghai Industrial Commerce”, with its name changed to Shanghai Bailian Group Investment Co., Ltd.), Mitsubishi Corporation (“Mitsubishi”), Wong Sun Hing Investment Company Limited (“Wong Sun Hing”) and Shanghai Liding Investment Company Limited. (“Shanghai Liding”).”

shall be replaced by the following:

“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”).”

ii. Original Article 21 of the Articles of Association as set out below:

“The Company shall issue a total number of 1,119,600,000 ordinary shares, which consist of:

(1) 715,397,400 domestic shares (380,952,000 shares to be held by Friendship Group; 237,029,400 by Shanghai Bailian Group Investment Co., Ltd.; and 97,416,000 by Bailian Group Co., Ltd.), and 31,602,600 non-listed foreign shares (31,602,600 by Wong Sun Hing);

(2) total number of 372,600,000 overseas-listed foreign shares.”

shall be replaced by the following:

“The Company shall issue a total number of 1,119,600,000 ordinary shares, which consist of:

- (1) 715,397,400 domestic shares (380,952,000 shares to be held by Shanghai Bailian Group Co., Ltd; 237,029,400 by Shanghai Baiqing Investment Co., Ltd.; and 97,416,000 by Bailian Group Co., Ltd.), and 31,602,600 non-listed foreign shares (31,602,600 by Wong Sun Hing);*
- (2) total number of 372,600,000 overseas-listed foreign shares.”*

- b) In order to reflect the change of the allotment of new Domestic Shares resulting from the Acquisition, the Board proposed to amend Article 21 and Article 25 of the Articles of Association further upon the amendment to the Article set out in a) above. The amendments are as follows:

i. Original third paragraph of Article 21 of the Articles of Association as set out below:

“The Company shall issue a total number of 1,119,600,000 ordinary shares, which consist of:

- (1) 715,397,400 domestic shares (380,952,000 shares to be held by Friendship Group; 237,029,400 by Shanghai Bailian Group Investment Co., Ltd.; and 97,416,000 by Bailian Group Co., Ltd.), and 31,602,600 non-listed foreign shares (31,602,600 by Wong Sun Hing);*
- (2) total number of 372,600,000 overseas-listed foreign shares.”*

shall be replaced by the following:

“The Company shall issue a total number of 1,403,777,300 ordinary shares, which consist of:

- (1) 999,574,700 domestic shares (381,593,300 shares to be held by Bailian Group Co., Ltd.; 380,952,000 by Shanghai Bailian Group Co., Ltd.; and 237,029,400 by Shanghai Baiqing Investment Co., Ltd.;) and 31,602,600 non-listed foreign shares (31,602,600 by Wong Sun Hing);*
- (2) total number of 372,600,000 overseas-listed foreign shares.”*

The proposed amendment to Article 21 set out in (b)(i) above is conditional upon (1) the approval of the proposed amendments to Article 21 set out in (a)(ii) above at the EGM and separate Class Meetings; and (2) the approval of the Acquisition at the EGM and separate Class Meetings.

ii. Original Article 25 of the Articles of Association as set out below:

“The registration capital of the Company is RMB1,119,600,000 Yuan.”

shall be replaced by the following:

“The registration capital of the Company is RMB1,403,777,300 Yuan.”

The proposed amendment to Article 25 is conditional upon the approval of the Acquisition at the EGM and separate Class Meetings.

The Board will put forward a special resolution at the EGM and separate Class Meetings regarding the proposed amendments to the Articles of Association to the Shareholders for their consideration and approval.

DESPATCH OF CIRCULAR

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Shareholders as to whether the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Shareholders on how to vote (to the extent applicable), taking into account the recommendation of the Independent Financial Adviser. The Company has appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Acquisition.

The Company expects that a circular containing, among other things, (i) further details of the Acquisition and the Acquisition Agreement; (ii) the recommendation of the Independent Board Committee to the Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders; (iv) further details of the proposed amendments to the Articles of Association; and (v) notices of the EGM and separate Class Meetings and forms of proxy, will be despatched to Shareholders. As additional time is required to obtain approval from the shareholders of Shanghai Bailian in connection with condition to the Acquisition set out in paragraph (b) of the paragraph headed “Conditions Precedent to Completion of the Acquisition” above, the circular is expected to be despatched to the Shareholders on or before 20 October 2014.

WARNING

THE ACQUISITION IS SUBJECT TO A NUMBER OF CONDITIONS INCLUDING APPROVAL FROM THE SHAREHOLDERS OF SHANGHAI BAILIAN, APPROVALS BY THE SHAREHOLDERS AT THE EGM AND SEPARATE CLASS MEETINGS, WHICH MAY OR MAY NOT BE FULFILLED. IN THE EVENT THAT ANY OF THE CONDITIONS TO THE COMPLETION IS NOT FULFILLED, THE ACQUISITION WILL NOT PROCEED. SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

DEFINITIONS

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

“Acquisition Agreement”	the Acquisition Agreement dated 19 September 2014 entered into between Bailian Group and the Company in respect of the Acquisition
“Acquisition”	the acquisition of the entire equity interest in Yiwu City Life by the Company from Bailian Group in accordance with the terms and conditions of the Acquisition Agreement
“Articles of Association”	the articles of association of the Company
“Bailian Group”	Bailian Group Co., Ltd.* (百聯集團有限公司), a company incorporated in the PRC with limited liability, a controlling shareholder of the Company
“Baiqing Investment”	Shanghai Baiqing Investment Co., Ltd.* (上海百青投資有限公司) (formerly known as Shanghai Bailian Group Investment Co., Ltd.* (上海百聯集團投資有限公司)), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Bailian, a direct shareholder of the Company
“Board”	the board of Directors of the Company from time to time
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning number 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9 am and 5 pm) on which the PRC and Hong Kong clearing banks are open for the transaction of normal banking business
“China” or “PRC”	The People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Class Meetings”	the (i) general meeting of holders of Domestic Shares and Unlisted Foreign Shares; and (ii) general meeting of holders of H Shares, to be held by the Company
“Circular”	the circular to be sent to the Shareholders in relation to the Acquisition
“Company”	Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司), a joint stock limited company incorporated under the laws of PRC with limited liability, the H Shares of which are listed on the main board of the Stock Exchange

“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the third Business Day after all the conditions precedent of the Acquisition Agreement have been fulfilled or waived
“Consideration Shares”	284,177,300 new Domestic Shares to be allotted and issued by the Company in settlement of the Consideration
“Consideration”	the sum of RMB898,000,000, being the consideration for the Acquisition
“Director(s)”	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
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Acquisition Agreement, the transactions contemplated thereunder and the proposed amendments to the Articles of Association
“Framework Agreement”	the framework agreement dated 9 September 2014 entered into between the Company and Bailian Group in relation to the Acquisition
“GFA”	gross floor area
“H Share(s)”	the overseas listed foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Shareholders in respect of, among other things, the Acquisition
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Shareholders in respect of, among other things, the Acquisition

“Issue Price”	HK\$3.97 per Domestic Share
“Last Trading Day”	19 September 2014, being the last full trading day on which the H Shares were traded on the Stock Exchange prior to the entering into the Acquisition Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	any of the five ratios set out in Rule 14.07 of the Listing Rules
“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) (formerly known as Shanghai Friendship Group Incorporated Company* (上海友誼集團股份有限公司)), a controlling shareholder of the Company
“Share(s)”	the H Shares, the Domestic Shares and the Unlisted Foreign Shares of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate proposed to be granted by the Shareholders to the Directors at the EGM to allot and issue the Consideration Shares
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Unlisted Foreign Share(s)”	the unlisted foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“Yiwu City Life”	Yiwu City Life Supermarket Co., Ltd.* (義烏都市生活超市有限公司), a limited liability company incorporated in the PRC, being the subject company of the Acquisition
“Yiwu Property”	the property located at No. 168 Wang Dao Lu, Yiwu, Zhejiang Province, the PRC, which is currently owned by Yiwu City Life
“%”	per cent.

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.796 to HK\$1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

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

By Order of the Board
Lianhua Supermarket Holdings Co., Ltd
Chen Jian-jun
Chairman

Shanghai, PRC, 19 September 2014

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

<i>Executive Directors:</i>	Chen Jian-jun, Hua Guo-ping, Qi Yue-hong, Zhou Zhong-qi and Shi Hao-gang;
<i>Non-executive Directors:</i>	Li Guo-ding, Wu Jie-qing and Wong Tak Hung;
<i>Independent non-executive Directors:</i>	Xia Da-wei, Lee Kwok Ming, Don, Zhang Hui-ming and Huo Jia-zhen.