

**LIANHUA SUPERMARKET HOLDINGS COMPANY LTD:  
ONE OF THE BEST FLOTATIONS OF MANY A MOON**

Lianhua Supermarket Holdings Company Ltd (Code: 980, Main Board, The Stock Exchange of Hongkong Ltd) is, probably, one of the best IPOs (Initial Public Offering) to come to the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in the past 5 years.

As the name of the Company implies, it is the operator of supermarkets in the PRC.

As at December 31, 2002, it operated 740, directly operated stores and 305 stores, which are operated under franchise agreements.

The stores are spread out from Hainan Island, in the south of the PRC, to Inner Mongolia in the north.

About 21,762 employees rely on their daily rice bowls from this giant retailer, whose shareholders are:

1. Shanghai Friendship Stock Company	37.46 percent
2. Shanghai Industrial Commercial Network	23.31 percent
3. Mitsubishi Corporation	7.42 percent
4. Wong Sun Hing (Hongkong) Investment Company Ltd	3.10 percent
5. Shanghai Liding Investment Company Ltd	2.20 percent
6. Public	<u>26.50 percent</u>
<b>TOTAL:</b>	<b><u>100 percent</u></b>

The Turnover of Lianhua Supermarket Holdings was about 5.82 billion renminbi in the 2002 Financial Year, ended December 31.

To state that this PRC-Government-controlled entity is big, by any yardstick, is to state the obvious.

The big question is, of course: For what reason did it feel the necessity of going public?

**The Flotation**

Lianhua Supermarket Holdings pitched an Offer of 150-million, one renminbi Shares at a Price of between \$HK3.17 and \$HK4.17 per Share. (\$HK1 = 1.06 renminbi)

Of the total number of Share on Offer, 135 million Shares were Placed and 15 million Shares were Offered to the public of the HKSAR.

The Net Proceeds from the flotation, on the basis of an Offer Price achieved of \$HK3.67 per Share, was expected to be about \$HK511.20 million.

This sum of money was earmarked to be used for the following purposes, according to Pages 139 and 140 of the Prospectus:

1. \$HK132 million 'to invest in the network expansion of the hypermarket business' (Hypermarket = a superstore with a floor area of 5,000 square metres or larger);
2. \$HK75.50 million 'to invest in the network expansion of the convenience store business';
3. \$HK47.20 million 'to establish an inter-regional management information system';
4. \$HK169.80 million 'to establish logistics and distribution centres to complement the Group's retail chain business'; and,
5. \$HK86.70 million to be used as General Working Capital.

As at April 30, 2003, the indebtedness of Lianhua Supermarket Holdings was about 251 million renminbi. (Page 124)

Page 125 states that the total banking facilities of the Company were about 994 million renminbi, of which about 743 million renminbi had been drawn down.

For the 3 Financial Years, ended December 31, 2002, Lianhua Supermarket Holdings has experienced what could only be ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published,  
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to [editor@targetnewspapers.com](mailto:editor@targetnewspapers.com) or [targnews@hkstar.com](mailto:targnews@hkstar.com). TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*