

LIANHUA SUPERMARKET HOLDINGS CO., LTD(the “Company”) Rules on Appointment, Election and Removal of Directors

There are formal, cautious and transparent procedures for nominating candidates to stand for directorship election. The process of evaluating the skills and composition of the Board is ongoing and is kept under regular review in order to ensure that appropriate plans for succession to the Board are in place for smooth replacement of Board members so that the Board retains its effectiveness at all times. Directors are subject to re-election/re-appointment at regular intervals. Directors, upon their appointment/re-appointment will be provided with an appointment letter which sets out the appointment terms and conditions. The Company will explain the reasons for the resignation or removal of any Director.

Appointment and Election of Directors

Elected Directors

Shareholders may by ordinary resolution elect any person to be an Elected Director. According to Article 63 of the Articles of Association of Lianhua Supermarket Holdings Co., Ltd.(the “Articles of Association”), shareholders holding not less than 5% of the Company’s total shares with voting rights are entitled to propose new agendas to the Company in writing. Nomination of Elected Director shall be proposed by independent resolutions for the shareholder to consider at the general meetings.

According to Article 96 of the Articles of Association, the intention to nominate a candidate as director and the written acceptance of the nomination from the nominee shall be delivered to the Company by no earlier than the next day after the despatch of the notice of the proposed general meeting and no later than seven (7) days prior to the date of such general meeting.

The Nomination Committee is to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board annually, and to identify suitable candidates for the Board’s consideration and to make recommendations to shareholders for their consideration. In the selection process, the Nomination Committee will consider the following criteria:

- integrity, accomplishment and experience in the financial services sector (in particular, in the securities and futures market and the clearing business)
- professional and educational background
- potential time commitment for the Board/committee responsibilities

To enable the shareholders to make an informed decision at a general meeting, the names of all candidates submitted for election or re-election as a Director together with his/her biographical details as set out in Rule 13.51(2) of the Listing Rules (including other directorships held in listed companies in the past 3 years and other major appointments) are set out in a circular to be sent to shareholders prior to the meeting.

Chairman and Vice Chairman

According to Article 96 of the Articles of Association, the chairman and vice chairman of the Board shall be elected or removed by the favourable votes of over half of all Directors. The term of office is three years and may be renewed upon re-election.

General Manager

According to Article 97 and Article 111 of the Articles of Association, the Company shall have a General Manager, who shall be appointed and dismissed by the Board.

Directors appointed to fill casual vacancy

If a casual vacancy arises in the term of office of an Elected Director, the Board may make an appointment fill the vacancy according to Article 96 of the Articles of Association.

Term of office

According to Article 96 of the Articles of Association, the term of office of Directors is 3 years. Upon expiration of term of office, Directors may be re-elected. Before the expiration of term of office, the general meeting shall not remove any director from office without reasons.

Any Director appointed by the Board to fill casual vacancy should be subject to election by shareholders at the first annual general meeting of the Company after such Director's appointment.

Removal of Directors

According to Article 96 of the Articles of Association, 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 holds other managerial post of the Company. Such removal shall have no effect on any contractual claim for compensation..

These rules is written in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Lianhua Supermarket Holdings Co., Ltd
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