

*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.*



**佳華百貨控股有限公司**  
**Jiahua Stores Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*  
**(stock code: 00602)**

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO CERTAIN LEASE AGREEMENTS**

**THE LEASE AGREEMENT I**

On 25 August 2016 (after trading hours), the Lease Agreement I was entered into between Landlord I (a wholly-owned subsidiary of the Company) and Tenant I (a company held by the controlling shareholders of the Company) whereby Landlord I agreed to lease Premises I to Tenant I for a term of 10 years commencing from 1 September 2016 to 31 August 2026 (both days inclusive) at an initial rent of RMB182,740.80 per month subject to increment as set out in the Lease Agreement I.

**THE LEASE AGREEMENT II**

On 25 August 2016 (after trading hours), the Lease Agreement II was entered into between Landlord II (a company held by the controlling shareholders of the Company) and Tenant II (a wholly-owned subsidiary of the Company) whereby Landlord II agreed to lease Premises II to Tenant II for a term of 15 years commencing from 1 January 2017 to 31 December 2031 (both days inclusive) at an initial rent of RMB1,806,668.24 per month subject to increment as set out in the Lease Agreement II.

### **THE LEASE AGREEMENT III**

On 25 August 2016 (after trading hours), the Lease Agreement III were entered into between Landlord I (a wholly-owned subsidiary of the Company) and Tenant III (a company held by the controlling shareholders of the Company) whereby Landlord I agreed to lease Premises III to Tenant III for a term of 3 years commencing from 1 January 2017 to 31 December 2019 (both days inclusive) at a rent of RMB60,836.67 per month as set out in the Lease Agreement III.

### **LISTING RULES IMPLICATIONS**

As at date of this announcement, Mr. Zhuang, the controlling Shareholder, executive Director and Chairman of the Company is interested in 685,485,000 Shares representing approximately 66.07% of the total issued Shares of the Company and is a connected person of the Company. As Landlord II (also known as Tenant III) and Tenant I are companies beneficially owned by Mr. Zhuang and Mrs. Zhuang, his spouse, Landlord II and Tenant I are therefore also connected persons of the Company under the Listing Rules. Accordingly, the entering into the Lease Agreement I, Lease Agreement II and Lease Agreement III constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As in aggregate, the highest amount of the Annual Caps I and Annual Caps III for the Lease Agreement I and the Lease Agreement III respectively exceeds HK\$3,000,000 and the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 0.1% but all applicable percentage ratios are below 5%, the entering into the Lease Agreement I and Lease Agreement III are only subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

For the transaction contemplated under the Lease Agreement II, as the highest amount of Annual Caps II for the Lease Agreement II exceeds 5% of an applicable percentage ratio under the Listing Rules and the Annual Caps II are more than HK\$10,000,000, the transaction contemplated under the Lease Agreement II (including the Annual Caps II) are subject to the reporting, announcement and approval from Independent Shareholders requirements under the Listing Rules.

Furthermore, as the term of the Lease Agreement I and the Lease Agreement II exceed 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company will have to engage the Independent Financial Adviser to review the Lease Agreement I and the Lease Agreement II, and confirm that it is in the normal business practice for contracts of this type to be of such duration.

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the terms of the Lease Agreement II (including the Annual Caps II), and Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Lease Agreement II and the transactions contemplated thereunder (including the Annual Caps II). In view of the interest of Mr. Zhuang and Mrs. Zhuang in Landlord II, Mr. Zhuang, Mrs. Zhuang and their respective associates (including Mr. Zhuang Xiao Xiong, son of Mr. Zhuang and Mrs. Zhuang) will abstain from voting in relation to the resolution(s) to approve the Lease Agreement II (including the Annual Caps II) at the EGM.

A circular containing, amongst other things, further information on the terms of the Lease Agreement II (including the Annual Caps II), a letter from the Independent Board Committee, an opinion of the Independent Financial Adviser, together with a notice to convene an extraordinary general meeting to approve the Lease Agreement II (including the Annual Caps II), is expected to be issued to the Shareholders as soon as possible and in any event, no later than 14 September 2016.

### **The Lease Agreement I**

On 25 August 2016 (after trading hours), the Lease Agreement I was entered into between Landlord I and Tenant I and the principal terms of the Lease Agreement I are summarized as follows:

Date:	25 August 2016
Parties:	Landlord I as landlord Tenant I as tenant
Premises:	Premises I, being the Retail Shop with number MY-PT2 located on level 2 of Jia Hua Ming Yuan (佳華名苑) located in Area N1, Central Zone, Baoan District, Shenzhen, Guangdong Province, the PRC

Term:	10 years commencing from 1 September 2016 to 31 August 2026 (both days inclusive)
Rent:	A initial monthly rent of RMB182,740.80, with a 5% increment on the monthly rent every 3 years
Taxes and other charges:	The Landlord I shall pay the land usage fee and taxes in relation to the rental of Premises I  The Tenant I shall pay fees in association with electricity, water, building management fee and other services consumed in relation to the Premises I
Deposit:	A rental deposit of RMB365,481.60 payable by the Tenant I to the Landlord I upon hand-over of Premises I
Usage:	For business purposes
Condition:	Subject to obtaining opinion from the independent financial adviser to confirm that it is a normal business practice for contracts of this type to be of such duration and is in the interests of the Company and its Shareholders as a whole

*Annual Caps I*

<b>For the year ending</b>	<b>Annual Caps (RMB)</b>
31 December 2016	730,963.20
31 December 2017	2,192,889.60
31 December 2018	2,192,889.60
31 December 2019	2,229,437.76
31 December 2020	2,302,534.08
31 December 2021	2,302,534.08
31 December 2022	2,340,909.65
31 December 2023	2,417,660.78
31 December 2024	2,417,660.78
31 December 2025	2,457,955.13
31 December 2026	1,692,362.55

The Annual Caps I was determined with reference to the monthly rent as stipulated in the Lease Agreement I.

## **The Lease Agreement II**

On 25 August 2016 (after trading hours), the Lease Agreement II was entered into between Landlord II and Tenant II and the principal terms of the Lease Agreement II are summarized as follows:

Date:	25 August 2016
Parties:	Landlord II as landlord  Tenant II as tenant
Premises:	Premises II, being a building now known as “Level 1-6 of Jiahua Ling Hui Plaza (佳華領匯廣場) located in the South-west side of junction of Ji Hua Road and Wu He West Street, Ban Tian Street, Longgang District, Shenzhen, Guangdong Province, the PRC”
Term:	15 years commencing from 1 January 2017 to 31 December 2031 (both days inclusive)
Rent:	A initial monthly rent of RMB1,806,668.24, with a 5% increment on the monthly rent every 3 years
Taxes and other charges:	The Landlord II shall pay the land usage fee and taxes in relation to the rental of Premises II  The Tenant II shall pay fees in association with electricity, water, building management fee and other services consumed in relation to the Premises II
Deposit:	A rental deposit of RMB3,613,336.48 payable by the Tenant II to the Landlord II upon hand-over of Premises II
User:	For business purpose
Condition:	Subject to obtaining opinion from the independent financial adviser to confirm that it is a normal business practice for contracts of this type to be of such duration and is in the interests of the Company and its Shareholders as a whole, and obtaining independent Shareholders’ approval at the EGM

## *Annual Caps II*

<b>For the year ending</b>	<b>Annual Caps (RMB)</b>
31 December 2017	21,680,018.88
31 December 2018	21,680,018.88
31 December 2019	21,680,018.88
31 December 2020	22,764,019.82
31 December 2021	22,764,019.82
31 December 2022	22,764,019.82
31 December 2023	23,902,220.82
31 December 2024	23,902,220.82
31 December 2025	23,902,220.82
31 December 2026	25,097,331.86
31 December 2027	25,097,331.86
31 December 2028	25,097,331.86
31 December 2029	26,352,198.45
31 December 2030	26,352,198.45
31 December 2031	26,352,198.45

The Annual Caps II was determined with reference to the monthly rent as stipulated in the Lease Agreement II.

## **The Lease Agreement III**

On 25 August 2016 (after trading hours), the Lease Agreement III was entered into between Landlord I and Tenant III and the principal terms of the Lease Agreement III are summarized as follows:

Date:	25 August 2016
Parties:	Landlord I as landlord  Tenant III as tenant
Premises:	Premises III, being the office area located on level 4 of Jia Hua Ming Yuan (佳華名苑) located in Area N1, Central Zone, Baoan District, Shenzhen, Guangdong Province, the PRC

Term:	3 years commencing from 1 January 2017 to 31 December 2019 (both days inclusive)
Rent:	A monthly rent of RMB60,836.67
Taxes and other charges:	The Landlord I shall pay the land usage fee and taxes in relation to the rental of Premises III  The Tenant III shall pay fees in association with electricity, water, building management fee and other services consumed in relation to the Premises III
Deposit:	A rental deposit of RMB121,673.34, payable by the Tenant III to the Landlord I upon hand-over of Premises III
Usage:	Office
Termination:	Landlord I shall have the right to terminate the Lease Agreement III by way of written notice to Tenant III in any event the execution or terms of the Lease Agreement III is unable to comply with the Listing Rules without any compensation

### *Annual Caps III*

<b>For the year ending</b>	<b>Annual Caps (RMB)</b>
31 December 2017	730,040.04
31 December 2018	730,040.04
31 December 2019	730,040.04

The Annual Caps III was determined with reference to the monthly rent as stipulated in the Lease Agreement III.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT I, LEASE AGREEMENT II AND LEASE AGREEMENT III**

The Group is principally engaged in property investment and operation and management of retail stores in the PRC.

Landlord I and Tenant II are wholly-owned subsidiary of the Company. Landlord I principally engaged in operation and management of retail stores in the PRC and Tenant II engaged in management of shopping mall in the PRC.

In January 2012 the Group acquired Jia Hua Ming Yuan (佳華名苑) located in Area N1, Central Zone, Baoan District, Shenzhen, Guangdong Province, the PRC, with a total of gross floor area of approximately 7,687.25 sq. Level 1 to 3 and part of Level 4 of Jia Hua Ming Yuan was held by the Group as investment properties. Certain part of Level 4 of Jia Hua Ming Yuan was also held by the Group as administration office. Since early March 2016, retail shop with shop number MY-PT2 located on level 2 of Jia Hua Ming Yuan was vacant and the Board was of the view that given Tenant I will be paying market rent to the Group, the entering into the Lease Agreement I with Tenant I with a term of 10 years will be able to improve the occupancy rate of the Group's investment properties as well as providing steady revenue to the Group. Furthermore as the previous lease agreement entered into in respect of Premises III will expire in 31 December 2016, as Tenant III would like to extend the lease term for another 3 years, Landlord I and Tenant III also entered into the Lease Agreement III to extend the lease term of Premises III up to 31 December 2019.

In addition, the Group had continued to focus on the development in areas such as Guangdong (including Shenzhen) and Guangxi by considering suitable retail outlets for increasing the presents of the Group's department stores. The Board considers that given Premises II will be available in January 2017 and in view of the favorable location (surrounded by residential properties) and the size of the Premises II which is suitable for department stores, the renting of Premises II will enhance the department store network of the Group.

The terms of the Lease Agreement I, Lease Agreement II and Lease Agreement III (including the rent) were determined after arm's length negotiations between the parties, with reference to standard terms of the lease agreements adopted for lease of similar properties and taking into account the initial market rental of Premises I, Premises II and Premises III which were endorsed by a valuation certificate dated 25 August 2016 prepared by Chung Hin Appraisal Limited, an independent property valuer that such monthly rent as of the date of the valuation certificate is reasonable in the market and on normal commercial terms.

In light of the above, the Board (including the independent non-executive Directors) is of the opinion that the Lease Agreement I and Lease Agreement III were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties; and (iii) on terms that were fair and reasonable and in the interest of the Company and its shareholders as a whole.



Furthermore, the Directors (excluding the independent non-executive Directors) are of the opinion that Lease Agreement II was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties; and (iii) on terms that were fair and reasonable and in the interest of the Company and its shareholders as a whole.

The independent non-executive Directors consisting the Independent Board Committee will give their view on the Lease Agreement II after considering the advice from the Independent Financial Adviser, and their view will be given in the circular to be despatched to the Shareholders.

## **LISTING RULES IMPLICATIONS**

As at date of this announcement, Mr. Zhuang, the controlling shareholder of the Company is interested in 685,485,000 Shares representing approximately 66.07% of the total issued Shares of the Company and is a connected person of the Company. As Landlord II (also known as Tenant III) and Tenant I are companies beneficially owned by Mr. Zhuang and Mrs. Zhuang, his spouse, Landlord II and Tenant I are therefore also connected persons of the Company under the Listing Rules. Accordingly, the entering into the Lease Agreement I, Lease Agreement II and Lease Agreement III constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As in aggregate, the highest amount of the Annual Caps I and Annual Caps III for the Lease Agreement I and Lease Agreement III respectively exceeds HK\$3,000,000 and the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 0.1% but all applicable percentage ratios are below 5%, the entering into the Lease Agreement I and Lease Agreement III are only subject to the reporting, announcement and annual review requirements but is exempt from the Independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

For the transaction contemplated under the Lease Agreement II, as the highest amount of Annual Caps II for the Lease Agreement II exceeds 5% of an applicable percentage ratio under the Listing Rules and the Annual Caps II are more than HK\$10,000,000, the transaction contemplated under the Lease Agreement II (including the Annual Caps II) are subject to the reporting, announcement and approval from independent Shareholders requirements under the Listing Rules.

Furthermore, as the terms of the Lease Agreement I and the Lease Agreement II exceed 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company will have to engage the Independent Financial Adviser to review the Lease Agreement I and the Lease Agreement II, and confirm that it is in the normal business practice for contracts of this type to be of such duration. Please refer to the section headed “The View of the Independent Financial Adviser” for further details of the Independent Financial Adviser’s opinion in respect of the duration of the Lease Agreement I below. The view of the Independent Financial Adviser in respect of the Lease Agreement II will be contained in the circular to be issued to Shareholders.

In view of the interest of Mr. Zhuang and Mrs. Zhuang in Tenant I and Landlord II (also known as Tenant III), Mr. Zhuang and Mr. Zhuang Xiao Xiong, son of Mr. Zhuang and Mrs. Zhuang, an executive Director, were not presented at the board meeting and had abstained from voting in relation to the board resolution in approving the Lease Agreement I (including the Annual Caps I), the Lease Agreement II (including the Annual Caps II) and the Lease Agreement III (including the Annual Caps III).

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the terms of the Lease Agreement II (including the Annual Caps II), and Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Lease Agreement II and the transactions contemplated thereunder (including the Annual Caps II). In view of the interest of Mr. Zhuang and Mrs. Zhuang in Landlord II, Mr. Zhuang, Mrs. Zhuang and their respective associates (including Mr. Zhuang Xiao Xiong, son of Mr. Zhuang and Mrs. Zhuang) will abstain from voting in relation to the resolution(s) to approve the Lease Agreement II (including the Annual Caps II) at the EGM.

A circular containing, amongst other things, further information on the terms of the Lease Agreement II (including the Annual Caps II), a letter from the Independent Board Committee, an opinion of the Independent Financial Adviser, together with a notice to convene an extraordinary general meeting to approve the Lease Agreement II (including the Annual Caps II), is expected to be issued to the Shareholders as soon as possible and in any event, no later than 14 September 2016.

## **THE VIEW FROM THE INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement governing continuing connected transactions of an issuer must not exceed three years except in special circumstances where the nature of the transaction requires the agreement to be of a longer duration. As the term of the Lease Agreement I exceeds three years, Vinco Capital has been appointed as the Independent Financial Adviser to opine on the terms of and to confirm that it is normal business practice for agreements of the same type as the Lease Agreement I to be of such duration. In assessing the reasonableness for the duration of the Lease Agreement I to be longer than three years, Vinco Capital has considered the following factors:

- (i) the long-term nature of the Lease Agreement I would secure the Group to obtain stable source of rental income for ten years with 5.0% increase in rental income in every three years;
- (ii) the Lease Agreement provides immediately rental income to the Group as Premises I has already been vacant. Without renting it to Tenant I, it may take sometimes for the Group to find suitable tenants. The Premises I, occupies approximately 14.9% of the total area of Jia Hua Ming Yuan, may remain vacant for a period of time which is inefficient to the Group from its income perspective;
- (iii) the leasing periods and the rental increment rate of the lease agreements entered into by the Group and independent third parties in Jia Hua Ming Yuan are comparable to those of the Lease Agreement I.

Having considered the principal factors as stated above, Vinco Capital is of the view that the long-term nature of the Lease Agreement I is a normal business practice for the Company and in the interests of the Company and its Shareholders as a whole.

## **GENERAL**

Both Tenant I and Landlord II are principally engaged in property development and property management in the PRC.

## DEFINITIONS

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

“Annual Caps I”	The proposed maximum aggregate annual monetary sums of the transactions during the term of the Lease Agreement I
“Annual Caps II”	The proposed maximum aggregate annual monetary sums of the transactions during the term of the Lease Agreement II
“Annual Caps III	The proposed maximum aggregate annual monetary sums of the transactions during the term of the Lease Agreement III
“associate(s)”	Has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Jiahua Stores Holdings Limited (佳華百貨控股有限公司) (stock code: 602), an exempted company incorporated in Cayman Islands on 4 September 2006 and the issued shares of which are listed on the main board of the Stock Exchange
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and to approve the Lease Agreement II and the transactions contemplated thereunder (including the Annual Caps II)
“Group”	the Company and its subsidiaries
“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

“Landlord I”	Shenzhen Baijiahua Department Stores Company Limited (深圳市百佳華百貨有限公司), a company incorporated in the PRC, a wholly-owned subsidiary of the Company
“Landlord II” or “Tenant III”	Shenzhen Jiahua Real Estate Development Company Limited (深圳市佳華房地產開發有限公司), a company incorporated in the PRC, which is held as to 36% by Mrs. Zhuang and 64% by Tenant I as at the date of this announcement
“Lease Agreement I”	the lease agreement dated 25 August 2016 entered into between Landlord I and Tenant I in respect of the leasing of Premises I
“Lease Agreement II”	the lease agreement dated 25 August 2016 entered into between Landlord II and Tenant II in respect of the leasing of Premises II
“Lease Agreement III”	the lease agreement dated 25 August 2016 entered into between Landlord I and Tenant III in respect of the leasing of Premises III
“Mr. Zhuang”	Mr. Zhuang Lu Kun, an executive Director
“Mrs. Zhuang”	Mrs. Zhuang Su Lan, spouse of Mr. Zhuang
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Premises I”	Retail Shop with number MY-PT2 located on level 2 of Jia Hua Ming Yuan (佳華名苑) located in Area N1, Central Zone, Baoan District, Shenzhen, Guangdong Province, the PRC
“Premises II”	Level 1-6 of Jiahua Ling Hui Plaza (佳華領匯廣場) located in the South-west side of junction of Ji Hua Road and Wu He West Street, Ban Tian Street, Longgang District, Shenzhen, Guangdong Province, the PRC

“Premises III”	office area located on level 4 of Jia Hua Ming Yuan (佳華名苑) located in Area N1, Central Zone, Baoan District, Shenzhen, Guangdong Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Shares of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant I”	Shenzhen Baijiahua Group Company Limited (深圳市百佳華集團有限公司), a company incorporated in the PRC with limited liability, which is held as to 90% by Mr. Zhuang and 10% by Mrs. Zhuang as at the date of this announcement
“Tenant II”	Shenzhen Baijiahua Business Investment Management Limited (深圳市百佳華商業投資管理有限公司), a company incorporated in the PRC, a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Lease Agreement II and the transaction contemplated thereunder (including the Annual Caps II).
“Independent Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a licensed corporation to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Lease Agreement I (in terms of duration) and the Lease Agreement II and the transactions contemplated thereunder (including the duration and the Annual Caps II)

“Independent Shareholders” Shareholders other than Mr. Zhuang and his associates  
“%” per cent.

For and on behalf of the board of  
**Jiahua Store Holdings Limited**  
**Zhuang Lu Kun**  
*Chairman*

*Unless otherwise specified in this announcement, translation of RMB into HK\$ is made in this announcement, for illustration purpose only, at the rate of RMB1 to HK\$1.17. No representation is made that any amount in RMB could have been or could be converted at such rate or any other rates.*

Shenzhen, the PRC, 25 August 2016

*As as the date of this announcement, the Directors are:*

*Executive Directors:*

*Mr. Zhuang Lu Kun, Mr. Zhuang Pei Zhong, Mr. Gu Wei Ming and Mr. Zhuang Xiao Xiong*

*Independent non-executive Directors:*

*Mr. Chin Kam Cheung, Mr. Sun Ju Yi, Mr. Ai Ji*