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**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)**

**MAJOR TRANSACTION**  
**IN RELATION TO THE LONG-TERM LEASE AGREEMENT**

**LONG-TERM LEASE AGREEMENT**

The Tenant entered into the Long-Term Lease Agreement dated 13 July 2024 with the Independent Landlord in respect of the leasing of the Premises for the operation of the Group's retail store.

Pursuant to HKFRS 16, the entering into the Long-Term Lease Agreement as a lessee will require the Group to recognise the right-of-use of the Premises as the right-of-use assets of an estimated aggregate value of approximately RMB14.38 million on its consolidated statement of financial position. Thus, the entering into of the Long-Term Lease Agreement and the transaction contemplated thereunder will be regarded as acquisition of assets by the Group under the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the acquisition of right-of-use assets recognized by the Group pursuant to HKFRS 16 based on the consideration under the Long-Term Lease Agreement is more than 25% but is less than 100%, the entering into of the Long-Term Lease Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no Shareholders has material interest in the Long-Term Lease Agreement and the transaction contemplated thereunder, thus no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company was to convene such a general meeting.

As at the date of this announcement, Mr. Zhuang and Mrs. Zhuang together hold 535,485,000 Shares which represent approximately 51.61% of the total issued shares of the Company and voting rights in general meetings of the Company. As no Shareholder is required to abstain from voting on the Transaction if the Company was to convene a general meeting for the approval of the Transaction, the Transaction has been approved by written shareholders' approvals from Mr. Zhuang and Mrs. Zhuang.

## **GENERAL**

A circular containing, amongst other things, further information on the terms of the Long-Term Lease Agreement and the transaction contemplated thereunder is expected to be issued to the Shareholders as soon as possible and in any event, within 15 business days after publication of this announcement.

## **INTRODUCTION**

The Tenant entered into the Long-Term Lease Agreement dated 13 July 2024 with the Independent Landlord in respect of the leasing of the Premises for the operation of the Group's retail store.

## **THE LONG-TERM LEASE AGREEMENT**

The principal terms of the Long-Term Lease Agreement being entered into are summarized as follows:

- Parties: (i) The Independent Landlord as the landlord of the Premises; and  
(ii) The Tenant as the tenant of the Premises
- Premises: The Premises comprised of certain retail spaces located at Shop No. B1-28/B1-29/B1-30, B1/F, Jiangnan Times Square (the "Site"), No. 4033, Banxuegang Avenue, Bantian Street, Longgang District, Shenzhen, Guangdong Province, the PRC (深圳市龍崗區坂雪崗大道4033號江南時代廣場B1層B1-28/B1-29/B1-30號舖位) with a total area of 4,157 sq.m. owned by the Independent Landlord.
- Term: 15 July 2024 to 14 July 2039 (both days inclusive)
- Rent-free period: 15 July 2024 to 14 November 2024

Rent: An initial monthly rent of RMB145,495.00 per month.

Save for the following adjustments, the Independent Landlord shall not increase the rent during the Term:

A 6% increment on the initial monthly rent for every 3 years as shown in the table below:

<b>Period</b>	<b>Rent per month</b>
15 July 2024 to 14 July 2027	RMB145,495.00
15 July 2027 to 14 July 2030	RMB154,224.70
15 July 2030 to 14 July 2033	RMB163,478.18
15 July 2033 to 14 July 2036	RMB173,286.87
15 July 2036 to 14 July 2039	RMB183,684.09

Monthly rent is payable by way of bank transfer on the 20th day of each month for the following month and will be financed by internal resources of the Company.

Deposit: A rental deposit of RMB290,990.00 shall be payable by the Tenant to the Independent Landlord 5 days after the execution of the Long-Term Lease Agreement.

Other fees: During the Term, the Independent Landlord shall be responsible for the payment of taxes and fees related to the leasing of the Premises that should be paid by the Independent Landlord as stipulated by laws and regulations.

The Tenant shall be responsible for the water, electricity, TV, telephone, network and air-conditioning charges incurred by the Tenant due to the Tenant's use of the Premises.

Usage: Land use right of the land of which the Premises are situated on is stated as industrial use and later amended for commercial use.

The Tenant intends to rent the Premises for the operation of the Group's retail store.

The Directors have obtained a legal opinion from PRC lawyers confirming that the Premises are legally permissible for operation of retail stores.

Sub-let: The Tenant is not allowed to sublet, except where the Tenant has entered into contracts with suppliers for the opening of booths within the retail store, such as counter leasing contracts.

Decoration: On the premise of not affecting the structure of the building, the Independent Landlord agrees that the Tenant shall carry out decoration and renovation of the Premises, which shall be subject to approval of relevant departments in accordance with the regulations and shall also be approved by relevant departments and reported by the Independent Landlord or Tenant (as entrusted by the Independent Landlord).

Renewal: If the Tenant decides to continue to rent the Premises upon the expiration of the Term, the Tenant shall submit a written application for lease renewal to the Independent Landlord 90 days prior to the date of expiration of the Term. Subject to the same conditions, the Tenant shall have the priority or renewing the lease.

First right of purchase: The Independent Landlord shall notify the Tenant in advance of the sale of the Premises during the Term and the Tenant shall have the first right of purchase under the same conditions of price and payment method to purchase the Premises. However, if the Independent Landlord sells the entire or part of the Site (which the Premises form part of), the Tenant will not be entitled to the first right of purchase.

Return of the Premises: Within 7 days after the expiration of the Term or the termination of the Long-Term Lease Agreement, the Tenant shall vacate and move out of the Premises in a timely manner, and return the Premises and ancillary facilities to the Independent Landlord.

Termination: The Long-Term Lease Agreement may be terminated among other things, by mutual agreement between the Tenant and the Independent Landlord.

The Independent Landlord has the right to terminate the Long-Term Lease Agreement and take possession of the Premises in the event the Tenant caused any of the following circumstances, (i) non-payment or failure to pay as agreed in accordance to the terms of the Long-Term Lease Agreement, the rent or other charges for a period of up to 30 days; (ii) refusal to sign the confirmation letter for delivery of the Premises when the Premises have met the agreed delivery standards without justifiable reasons; (iii) unauthorized demolition and alteration of the main structure of the building; (iv) unauthorized change of the usage of the Premises; (v) unauthorized subletting of the Premises to a third party; and (vi) using the Premises to engage in illegal activities.

The Tenant has the right to terminate the contract unilaterally if the Independent Landlord caused any of the following circumstances, including (i) failure to deliver the Premises as scheduled for over 7 days; (ii) the Independent Landlord does not have the right to lease the Premises or the Premises delivered do not comply with the contractual terms and conditions, and will seriously hinder the Tenant's use of the Premises or endanger the Tenant's safety or health; and (iii) the Tenant cannot use the Premises normally because the Independent Landlord does not undertake the agreed maintenance obligations or does not pay the costs that should be borne by the Independent Landlord.

Both the Independent Landlord and the Tenant have the right to terminate the contract under the following circumstances, including (i) the Premises are expropriated and demolished for reasons of public interest or urban construction; (ii) the Premises are damaged or lost due to force majeure such as earthquake, fire, etc., or are classified as dangerous and unusable; and (iii) should the Tenant being informed the Premises are subjected to mortgage and being penalized by relevant parties during the Term.

The terms of the Long-Term Lease Agreement (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 rate of the Premises (which was endorsed by a fair rent letter dated 13 July 2024 prepared by Valor Appraisal & Advisory Limited, an independent professional property valuer that such monthly rent as of the date of the valuation certificate is reasonable in the market and on normal commercial terms).

When determining the basis of the 6% increment on the monthly rent for every 3 years, the Company has taken into consideration the terms of the lease agreements entered into by the Group with other parties in relation to the leasing out of the Group's investment properties and noted that such increment adjustment clauses were also incorporated to such lease agreements.

## **FINANCIAL INFORMATION OF THE PREMISES**

Pursuant to HKFRS 16, the right to use the Premises leased under the Long-Term Lease Agreement will be recognised as a right-of-use assets. Upon commencement of the lease, the value of the right-of-use assets would be calculated with reference to the aggregated present value of the fixed lease payments as discounted by a discount rate which is the theoretical incremental borrowing rate of the Company of approximately 9.133%. Along with the recognition of the estimated value of the right-of-use assets of approximately RMB14.38 million for the Premises, an estimated lease liability amounted to approximately RMB14.38 million for the Premises will be recognized by the Group on the date of commencement of the rental period. The right-of-use assets and lease liability will be recognized at the discount rate prevailing at the point of recognition.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LONG-TERM LEASE AGREEMENT**

The Group is principally engaged in property investment and operation and management of retail stores and shopping mall in the PRC. The Group commenced tapping into the operation of shopping malls in 2017 by opening its first shopping mall in Shenzhen. As at the date of this announcement, there are 9 retail stores and 3 shopping malls under the Group's operation.

To further expand the retail network of the Group, the Group entered into the Long-Term Lease Agreement with the Independent Landlord, to rent the relevant retail spaces for the opening of a new retail store in Longgang District, Shenzhen, Guangdong Province, the PRC.

In view of such, the Directors are of the view that the transaction contemplated under the Long-Term Lease Agreement are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and that (iii) the terms contemplated under the Long-Term Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PREMISES, THE TENANT, AND THE INDEPENDENT LANDLORD**

### **The Premises**

The Premises are located at B1 Floor, Jiangnan Times Square, No. 4033, Banxuegang Avenue, Bantian Street, Longgang District, Shenzhen, Guangdong Province, the PRC. The Premises will be recognized as a right-of-use assets with estimated value of approximately RMB14.38 million as assessed by an independent professional valuer in Valor Appraisal & Advisory Limited.

No identifiable net income was generated in respect of the Premises, as the retail store to be operated at the Premises have yet to commence operation.

### **The Tenant**

The Tenant is a wholly owned subsidiary of the Company and a wholly foreign-owned enterprise incorporated in the PRC with limited liability and is principally engaged in the operation and management of retail stores in the PRC.

## **The Independent Landlord**

The Independent Landlord is principally engaged in technology development and sales of light environmental protection packaging products, heavy environmental protection packaging products, packaging materials and technology development of integrated packaging solutions in the PRC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Independent Landlord is held as to approximately 25.6%, 23.4%, 21.8%, 19.2% and 10.0% by Mr. Dong Feiyue, Mr. Yan Yibin, Ms. Chen Ning, Mr. Luo Youfu and Mr. Pan Minghe respectively as at the date of this announcement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Independent Landlord and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## **LISTING RULES IMPLICATIONS**

Pursuant to HKFRS 16, the entering into of the Long-Term Lease Agreement as a lessee will require the Group to recognise the right-of-use of the Premises as the right-of-use assets of an estimated aggregate value of approximately RMB14.38 million on its consolidated statement of financial position. Thus, the entering into the Long-Term Lease Agreement will be regarded as acquisition of assets by the Group under the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of recognizing the right-of use assets by the Group pursuant to HKFRS 16 based on the consideration under the Long-Term Lease Agreement is more than 25% or more but is less than 100%, the entering into of the Long-Term Lease Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, shareholders' approval for the Transaction may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (1) no shareholder is required to abstain from voting if the company were to convene a general meeting for the approval of the transactions; and (2) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no Shareholders has material interest in the Long-Term Lease Agreement and the transaction contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting.

As at the date of this announcement, Mr. Zhuang and Mrs. Zhuang together hold 535,485,000 Shares which represent approximately 51.61% of the total issued shares of the Company and voting rights in general meetings of the Company. As no Shareholder is required to abstain from voting on the Transaction if the Company were to convene a general meeting for the approval of the Transaction, the Transaction has been approved by written shareholders' approvals from Mr. Zhuang and Mrs. Zhuang.

## **GENERAL**

A circular containing, amongst other things, further information on the terms of the Long-Term Lease Agreement, and the transaction contemplated thereunder is expected to be issued to Shareholders in accordance with the Listing Rules. Pursuant to Rule 14.41(a) if the transaction is approved or is to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders under Rule 14.44, the circular is expected to be despatched to the Shareholders within 15 business days after publication of this announcement (i.e. the circular will be despatched no later than 2 August 2024).

## **DEFINITIONS**

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

“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: 00602), 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS 16”	the Hong Kong Financial Reporting Standard 16 – Leases issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China



“Independent Landlord”	Shenzhen Wohua Technology Co., Ltd. (深圳市沃華技術有限公司), a company incorporated in the PRC, which is held as to approximately 25.6%, 23.4%, 21.8%, 19.2% and 10.0% by Mr. Dong Feiyue, Mr. Yan Yibin, Ms. Chen Ning, Mr. Luo Youfu and Mr. Pan Minghe respectively as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-Term Lease Agreement”	the long-term lease agreement and as supplemented entered into between the Independent Landlord and the Tenant in respect of the leasing of the Premises dated 13 July 2024
“Mr. Zhuang”	Mr. Zhuang Lu Kun, an executive Director, spouse of Mrs. Zhuang which as at the date of this announcement held 467,985,000 Shares, and together with Mrs. Zhuang held 535,485,000 Shares, representing approximately 51.61% of the total issued shares of the Company
“Mrs. Zhuang”	Mrs. Zhuang Su Lan, spouse of Mr. Zhuang, which as at the date of this announcement held 67,500,000 Shares, and together with Mr. Zhuang held 535,485,000 Shares, representing approximately 51.61% of the total issued shares of the Company
“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”	certain retail spaces located at 深圳市龍崗區坂雪崗大道4033號江南時代廣場B1層B1-28/B1-29/B1-30號舖位 (Store No. B1-28/B1-29/B1-30, B1/F, Jiangnan Times Square, No. 4033, Banxuegang Avenue, Bantian Street, Longgang District, Shenzhen, Guangdong Province, the PRC) owned by the Independent Landlord
“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”	Shenzhen Baijiahua Department Stores Company Limited (深圳市百佳華百貨有限公司), a wholly owned subsidiary of the Company and a wholly foreign-owned enterprise incorporated in the PRC with limited liability
“Term”	the term of the Long-Term Lease Agreement being 15 July 2024 to 14 July 2039 (both days inclusive)
“Transaction”	the entering into of the Long-Term Lease Agreement to lease the Premises from the Independent Landlord
“%”	per cent.

By Order of the Board  
**Jiahua Stores Holdings Limited**  
**Zhuang Lu Kun**  
*Chairman*

Shenzhen, the PRC, 13 July 2024

*As at the date of this announcement, the Board comprises 3 executive Directors, namely, Mr. Zhuang Lu Kun, Mr. Zhuang Pei Zhong and Mr. Zhuang Xiao Xiong, 1 non-executive Director, namely Madam Yan Xiao Min and 4 independent non-executive Directors, namely Mr. Chin Kam Cheung, Mr. Sun Ju Yi, Mr. Ai Ji and Madam Ying Chi Kwan.*