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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)

CONNECTED TRANSACTIONS

SUMMARY

The Board announces that on 7 December 2020, BJH Network Technology, as a seller, and JH Real Estate, as a buyer, entered into the Commodity sales agreement. Pursuant to which JH Real Estate agreed to buy commodities from BJH Network Technology of RMB2,528,416.80 (equivalent to approximately HK\$2,973,418.16) for internal use. Besides, BJH Network Technology, as a service provider, and JH Real Estate, as a service receiver, entered into the Technical service agreement. Pursuant to which JH Real Estate agreed to pay technical service fee to BJH Network Technology of RMB600,000.00 (equivalent to approximately HK\$705,600.00) for internal use. Besides, BJH Network Technology, as a service provider, and JH Property Management, as a service receiver, entered into the Technical service agreement. Pursuant to which JH Property Management agreed to pay technical service fee to BJH Network Technology of RMB200,000.00 (equivalent to approximately HK\$235,200.00) for internal use. Besides, BJH Network Technology, as a lessor, and JH Real Estate, as a lessee, entered into the Facilities and software leasing agreement. Pursuant to which JH Real Estate agreed to pay facilities and software leasing fee to BJH Network Technology of RMB140,940.00 (equivalent to approximately HK\$165,745.44) for internal use. Besides, BJH Network Technology, as a lessor, and JH Property Management, as a lessee, entered into the Facilities and software leasing agreement. Pursuant to which JH Property Management agreed to pay facilities and software leasing fee to BJH Network Technology of RMB113,376.00 (equivalent to approximately HK\$133,330.18) for internal use. Besides, BJH Network Technology, as a lessor, and JH Hotel Management, as a lessee, entered into the Facilities and software leasing agreement. Pursuant to which JH Hotel Management agreed to pay facilities and software leasing fee to BJH Network Technology of RMB113,376.00 (equivalent to approximately HK\$133,330.18) for internal use.

As at the date of this announcement, JH Real Estate is owned as to 18% by Mrs. Zhuang and 82% by BJH Group (a company owned as to 90% by Mr. Zhuang and 10% as to Mrs. Zhuang), JH Property Management is owned as to 95% by JH Real Estate and 5% by BJH Group, JH Hotel Management is owned as to 95% by BJH Group and 5% by JH Real Estate. Accordingly, JH Real Estate, JH Property Management and JH Hotel Management are connected persons of the Company and therefore, entering into the Commodity sales agreement, Technical service agreements and Facilities and software leasing agreements with related persons and the transactions contemplated thereunder constitute connected transactions for the Company under the Listing Rules.

COMMODITY SALES AGREEMENT

Set out below are the key terms of the Commodity sales agreement:

Date	:	7 December 2020
Seller	:	BJH Network Technology
Buyer	:	JH Real Estate, a connected person of the Group
Commodity	:	Wine
Consideration	:	Approximately RMB2,528,416.80 (equivalent to approximately HK\$2,973,418.16) payable by cash within ten days after delivery
Basis of		
Consideration	:	Cost plus a certain percentage of mark-up
Others	:	If the Group cannot fulfill the requirements of the Listing Rules as a results of the Commodity sales agreement, BJH Network Technology has the right to terminate the transaction under the Commodity sales agreement by giving written notice to the JH Real Estate, without any payment or compensation.

TECHNICAL SERVICE AGREEMENTS

There are two separate Technical service agreements with similar terms and below are the key terms of the Technical service Agreements:

Date	:	7 December 2020
Provider	:	BJH Network Technology
Receivers	:	JH Real Estate and JH Property Management, connected persons of the Group
Service	:	Maintenance of computer hardware and software system and internet system
Period	:	1 January to 31 December 2020
Consideration	:	Approximately RMB600,000.00 (equivalent to approximately HK\$705,600.00) and RMB200,000.00 (equivalent to approximately HK\$235,200.00) for JH Real Estate and JH Property Management respectively, payable by cash within five days after service rendered
Basis of		
Consideration	:	Estimated labor cost incurred
Others	:	If the Group cannot fulfill the requirements of the Listing Rules as a results of the Technical service agreements, BJH Network Technology has the right to terminate the transactions under the Technical service agreements by giving written notice to the JH Real Estate and JH Property Management, without any payment or compensation.

FACILITIES AND SOFTWARE LEASING AGREEMENTS

There are three separate Facilities and software leasing agreements with similar terms and below are the key terms of the Facilities and software leasing agreements:

Date	:	7 December 2020
Provider	:	BJH Network Technology
Receivers	:	JH Real Estate, JH Property Management and JH Hotel Management, connected persons of the Group
Service	:	Leasing of facilities and software
Period	:	1 January to 31 December 2020
Consideration	:	Approximately RMB140,940.00 (equivalent to approximately HK\$165,745.44), RMB113,376.00 (equivalent to approximately HK\$133,330.18) and RMB113,376.00

(equivalent to approximately HK\$133,330.18) for JH Real Estate, JH Property Management and JH Hotel Management respectively, payable by cash within three days after lease period

Basis of

Consideration : Estimated labor cost incurred

Others : If the Group cannot fulfill the requirements of the Listing Rules as a results of the Facilities and software leasing agreements, BJH Network Technology has the right to terminate the transactions under the Facilities and software leasing agreements by giving written notice to the JH Real Estate, JH Property Management and JH Hotel Management, without any payment or compensation.

INFORMATION OF THE GROUP

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

INFORMATION OF CONNECTED PERSONS

JH Real Estate is principally engaged in property development and property management in the PRC.

JH Property Management is principally engaged in property management in the PRC.

JH Hotel Management is principally engaged in hotel management in the PRC.

REASONS AND BENEFITS FOR ENTERING INTO THE CONNECTED TRANSACTIONS

The commodity sales sold under the Commodity sales agreement could increase the sales income and cash flow of the Group, enhance the qualification of High-Tech enterprise and related government subsidy of the subsidiary, and strengthen the countrywide recognition and contribution to community of the Group. The commodity price was arrived at after arm's length negotiations and by making reference to market price of similar products in proximity.

The service rendered under the Technical service agreements could increase the service income and cash flow of the Group, and alleviate operating burden of the Group. The service fee was arrived at after arm's length negotiations and by making reference to market price of similar services in proximity.

The leasing service rendered under the Facilities and software leasing agreements could increase the service income and cash flow of the Group, and alleviate operating burden of the Group. The leasing fee was arrived at after arm's length negotiations and by making reference to market price of similar services in proximity.

The Group has adopted a mechanism for entering into new agreements by which any decision involving the possibilities of transactions with the controlling shareholder and/or his associates in the future will be determined by the Independent Board. As confirmed by the Directors, the Independent Board has been established to review the entering into the Commodity sales agreement, Technical service agreements and Facilities and software leasing agreements. The Independent Board has been given the level of commodity price, composition of cost of technical service and composition of cost of leasing service that the Independent Board considered necessary for comparison and to enable the Independent Board to make the relevant decision. The Independent Board considers that the terms of the connected transactions contemplated under the Commodity sales agreement, Technical service agreements and Facilities and software leasing agreements were arrived at after arm's length negotiations between the parties to the Commodity sales agreement, Technical service agreements and Facilities and software leasing agreements with reference to the prevailing market rate in the PRC.

The Directors, including the independent non-executive Directors, consider that the Commodity sales agreement, Technical service agreements and Facilities and software leasing agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

As at the date of this announcement, JH Real Estate is owned as to 18% by Mrs. Zhuang and 82% by BJH Group (a company owned as to 90% by Mr. Zhuang and 10% as to Mrs. Zhuang), JH Property Management is owned as to 95% by JH Real Estate and 5% by BJH Group, JH Hotel Management is owned as to 95% by BJH Group and 5% by JH Real Estate. Accordingly, JH Real Estate, JH Property Management and JH Hotel Management are connected persons of the Company and therefore, entering into of the Commodity sales agreement, Technical service agreements and Facilities and software leasing agreements with related persons and the transactions contemplated thereunder constitute connected transactions for the Company under the Listing Rules.

As the highest applicable percentage ratio of the connected transactions contemplated under the Commodity sales agreement, Technical service agreements and Facilities and software leasing agreements is more than 0.1% but less than 5%, the connected transactions are exempt from circular and independent Shareholders' approval requirements, but subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

STATEMENT ON WHETHER ANY DIRECTORS HAVE A MATERIAL INTEREST IN THE TRANSACTIONS

As Mr. Zhuang Lu Kun and Mr. Zhuang Xiao Xiong are connected persons and have material interest in the transactions, they have abstained from voting on the board resolution.

DEFINITIONS

“BJH Network Technology”	深圳市百佳華網絡科技有限公司 (Shenzhen Baijiahua Network Technology Limited), a wholly owned subsidiary of the Company and an enterprise incorporated in the PRC with limited liability
“BJH Group”	深圳市百佳華集團有限公司 (Shenzhen Baijiahua Group Company Limited), a company incorporated in the PRC on 24 August 1995 with limited liability, which was owned as to 90% by Mr Zhuang and 10% by Mrs Zhuang as at the date of this announcement
“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 the Cayman Islands on 4 September 2006 with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has / have the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has / have the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries (from time to time)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board”	a sub-committee board of Directors, excluding Mr. Zhuang and Mr. Zhuang Xiao Xiong
“Independent Third Parties”	third party(ies) (and its/their ultimate beneficial owner(s)) independent

“JH Real Estate”	of the Company and connected persons of the Company 深圳市佳華房地產開發有限公司 (Shenzhen Jiahua Real Estate Development Company Limited), which was owned as to 18% by Mrs Zhuang and 82% by BJH Group as at the date of this announcement
“JH Property Management”	深圳市佳華物業管理有限責任公司 (Shenzhen Jiahua Property Management Limited), which was owned as to 95% by JH Real Estate and 5% by BJH Group as at the date of this announcement
“JH Hotel Management”	深圳市百佳華雲著酒店管理有限公司 (Shenzhen Baijiahua OneJee Hotel Management Limited), which was owned as to 95% by BJH Group and 5% by JH Real Estate as at the date of this announcement
“Commodity sales agreement”	the sales agreement dated 7 December 2020 entered into between BJH Network Technology and JH Real Estate in respect of sales of wine
“Technical service agreements”	the technical service agreements dated 7 December 2020 entered into between BJH Network Technology and JH Real Estate, and between BJH Network Technology and JH Property Management in respect of provision of technical service
“Facilities and software leasing agreements”	the facilities and software leasing agreements dated 7 December 2020 entered into between BJH Network Technology and JH Real Estate, between BJH Network Technology and JH Property Management, and between BJH Network Technology and JH Hotel Management in respect of facilities and software leasing service
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhuang”	莊陸坤先生 (Mr. Zhuang Lu Kun), an executive Director and the controlling shareholder who is the founder and chairman of the Group
“Mrs. Zhuang”	莊素蘭女士 (Mrs. Zhuang Su Lan), the spouse of Mr. Zhuang
“PRC”	the People's Republic of China
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre
“%”	per cent.

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\$1.176. No representation is made that any amount in RMB could have been or could be converted at such rate or any other rates.

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

Shenzhen, the PRC, 7 December 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhuang Lu Kun, Mr. Zhuang Pei Zhong and Mr. Zhuang Xiao Xiong and three independent non-executive Directors, namely Mr. Chin Kam Cheung, Mr. Sun Ju Yi and Mr. Ai Ji.