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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Jiahua Stores Holdings Limited** (the “**Company**”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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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

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the content requires otherwise.

A letter from the Board is set out on pages 4 to 12 of this circular.

The transaction being the subject matter of this circular has been approved in writing by the controlling Shareholder in lieu of holding of a general meeting pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions 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 circular
“Latest Practicable Date”	20 September 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

* *For identification purpose only*

DEFINITIONS

“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 Latest Practicable Date 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 Latest Practicable Date 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 circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Premises”	certain retail spaces located at 中國廣東省深圳市龍崗區坂田街道坂雪崗大道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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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

DEFINITIONS

“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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhuang Lu Kun (*Chairman*)
Mr. Zhuang Pei Zhong
Mr. Zhuang Xiao Xiong

Non-executive Director:

Madam Yan Xiao Min

Independent non-executive Directors:

Mr. Chin Kam Cheung
Mr. Sun Ju Yi
Mr. Ai Ji
Madam Ying Chi Kwan

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Suite 715, 7th Floor
Ocean Centre, Harbour City
5 Canton Road
Tsimshatsui
Kowloon
Hong Kong

23 September 2024

To the Shareholders,

Dear Sirs or Madams,

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

1. INTRODUCTION

Reference is made to the announcement of the Company dated 13 July 2024 in relation to the entering into of the Long-Term Lease Agreement.

LETTER FROM THE BOARD

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

The purpose of this circular is to provide you with further details of the Long-Term Lease Agreement and the transaction contemplated thereunder, the valuation report on the market rent of the Premises, and other information as required under the Listing Rules.

2. 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 中國廣東省深圳市龍崗區坂田街道坂雪崗大道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) 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:

Period	Rent per month
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

LETTER FROM THE BOARD

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).

LETTER FROM THE BOARD

- 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 of 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 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.

LETTER FROM THE BOARD

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.

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 independent third 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. According to the management of the Group, the percentage of adjustment depends on among other things, the size of the rental property as well as the initial rent. When estimating the 6% increment, the Company took into consideration the increment percentage of lease agreements which were entered into with independent third parties, of which the increment percentage was set at comparable level or more than 6%.

LETTER FROM THE BOARD

3. METHODS AND PROCEDURES ADOPTED BY THE COMPANY TO DETERMINE THE PRICING AND TERMS OF THE LONG-TERM LEASE AGREEMENT

The Group would perform due diligence on properties prior to leasing them so as to ensure that the landlord is the real owner and has the right to lease the property in accordance with the PRC laws, rules and regulations.

The Company had conducted due diligence on the relevant premises before entering into the Long-Term Lease Agreement and has already conducted due diligence on the relevant premises under the Long-Term Lease Agreement. The Directors were satisfied that the relevant parties have the authority to enter into the Long-Term Lease Agreement and have the right to lease the Premises in accordance with the PRC laws, rules and regulations.

The terms of the Long-Term Lease Agreement (including the monthly rent) were determined after arm's length negotiations between the Group and the respective lessors with reference to the prevailing market price of similar properties in the vicinity.

In determining whether the rents under the Long-Term Lease Agreement were comparative to market level of similar properties in the locality, prior to entering into any property lease agreement, an independent professional valuer, Valor Appraisal & Advisory Limited, has been appointed by the Group to conduct relevant market research and to form an opinion that the rent charged in the relevant lease agreement will be in line with market price.

4. FINANCIAL INFORMATION OF THE PREMISES AND FINANCIAL EFFECTS OF THE LONG-TERM LEASE AGREEMENT OF THE GROUP

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.

No material income has been generated in respect of the Premises in the past three financial years, as the Premises has recently commenced operation.

5. 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 malls in the PRC. The Group commenced tapping into the operation of

LETTER FROM THE BOARD

shopping malls in 2017 by opening its first shopping mall in Shenzhen. As at the Latest Practicable Date, there were 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.

6. 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, 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 Latest Practicable Date, Mr. Zhuang and Mrs. Zhuang together held 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

LETTER FROM THE BOARD

the Transaction, the Transaction has been approved by written shareholders' approvals from Mr. Zhuang and Mrs. Zhuang.

7. INFORMATION ON THE GROUP

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

8. 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, Valor Appraisal & Advisory Limited.

No material income has been generated in respect of the Premises in the past three financial years, as the Premises has recently commenced 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 Latest Practicable Date.

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.

LETTER FROM THE BOARD

Written Shareholders' Approval

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, no Shareholder has any material interest in the Long-Term Lease Agreement and the transaction contemplated thereunder and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Long-Term Lease Agreement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval will be accepted in lieu of holding a general meeting for approving the Long-Term Lease Agreement.

The Company has received a written approval from Mr. Zhuang and Mrs. Zhuang, who together held 535,485,000 Shares which represented approximately 51.61% of the total issued shares of the Company and voting rights in general meetings of the Company as at the Latest Practicable Date to approve the Long-Term Lease Agreement. As such, the Company would not convene a general meeting for the purpose of seeking the approval of the Shareholders on the entering into of the Long-Term Lease Agreement and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

9. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Long-Term Lease Agreement and the transaction contemplated thereunder is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Had a general meeting been convened for approval of the Long-Term Lease Agreement, the Directors (including the independent non-executive Directors) would recommend the Shareholders to vote in favour of the Long-Term Lease Agreement.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Jiahua Stores Holdings Limited
Mr. Zhuang Lu Kun
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

- (i) for the year ended 31 December 2021 has been disclosed on pages 69 to 202 of the Company's 2021 annual report published on 27 April 2022;
- (ii) for the year ended 31 December 2022 has been disclosed on pages 68 to 189 of the Company's 2022 annual report published on 26 April 2023;
- (iii) for the year ended 31 December 2023 has been disclosed on pages 67 to 189 of the Company's 2023 annual report published on 29 April 2024;
- (iv) for the six months ended 30 June 2024 has been disclosed in the 2024 interim results announcement published on 29 August 2024;

The aforesaid financial information of the Company have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.szbjh.com/>).

Please see below the hyperlinks to the relevant financial information of the Company:

- (i) the annual report of the Company for the year ended 31 December 2021 published on 27 April 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700162.pdf>
- (ii) the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602015.pdf>
- (iii) the annual report of the Company for the year ended 31 December 2023 published on 29 April 2024:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042900467.pdf>
- (iv) the interim results announcement of the Company for the six months ended 30 June 2024 published on 29 August 2024:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0829/2024082901132.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness:

	<i>Note</i>	As at 31 July 2024 <i>RMB'000</i> (unaudited)
Bank borrowings, secured and guaranteed	1	148,608
Amount due to a director, unsecured and unguaranteed		59
Lease liabilities, unsecured and unguaranteed		462,199
		<u>610,866</u>

Note:

- The bank borrowings are secured by the Group's certain investment properties and the Group's certain trade receivables as at 31 July 2024 and guaranteed by a related party of the Group.

Save as disclosed above, as at the close of business on 31 July 2024, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts, other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptances credits, hire purchase commitments, debentures, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the effect of the Long-Term Lease Agreement, financial resources available to the Group including but not limited to cash flows from the operations of the Group, cash and cash equivalents, banking facility and the credit facility from a related company which is dependent upon such related company would be able to provide the necessary funds upon drawdown by the Group, the Group will have sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseeable circumstances.

The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest

published audited financial results of the Group were made up) up to and including the Latest Practicable Date.

5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Save for the transaction contemplated under the Long-Term Lease Agreement (details of which are disclosed in this circular), since 31 December 2023 (the date to which the latest published audited accounts of the Group have been made up), no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Group.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2024, China's retail industry will continue to face challenges and opportunities. In the era of cost-effectiveness, consumers pay more attention to the cost and value of products, and retail operators need to grasp accurately the needs of consumers and provide higher-quality products and services. At the same time, the rise of emerging channels has also brought new development opportunities to retail enterprises. Retailers need to actively expand emerging pipelines and increase market share. In addition, retail companies also need to strengthen product innovation and supply chain management, improve efficiency, and reduce costs to cope with fierce market competition.

For the six months ended 30 June 2024, the Group's total revenue was approximately RMB207.8 million, representing an increase of approximately 30.5% year-on-year ("YOY"); gross profit was approximately RMB6.4 million, representing a YOY decrease of approximately 47.8%; operating loss was approximately RMB24.9 million, representing a YOY decrease of approximately 24.5%; the loss attributable to equity holders of the parent company was approximately RMB25.4 million, representing a YOY decrease of approximately 25.1%. As at the end of the period, there were nine retail stores and three shopping malls. The increase in revenue was mainly due to the opening of Shajing Jiayanghui shopping mall in July last year, but with the increase in competition surrounding the stores and shopping malls, the general decline in consumer spending spirit, the change in spending pattern and attitude, and the divestment of foreign enterprise resulting closure of factory and reduction of resident population, the income of other stores has been restricted.

During the period, it was mainly for enhancing of attractiveness of shopping malls and upgrading of stores to increase revenue, and the streamline of manpower and maintenance of key employees, as to retain strength to meet future challenges. Commodity sales increased by approximately RMB9.0 million, commissions from concessionaire sales decreased by approximately RMB1.4 million, rental income from sub-leasing of shop premises decreased by approximately RMB0.4 million, investment property income decreased by approximately RMB0.1 million, rental income from sub-leasing of shopping malls increased by approximately

RMB43.2 million, and interest income from financing services decreased by approximately RMB1.7 million.

The year 2024 will bring on opportunities as well as challenges, the Group has prepared to cope with all difficulties, to make use of the core competency in the industry. Looking ahead, China is still under development stage. The macro-economic condition has significant impact to the industry. Rapid growth in information technology has direct and critical effect to the industry. The Directors are confident towards the future. The mission of the Group is to become one of the major operators in the retail industry.

The Group will follow the trends, more innovative, and expand its income source and improve its operating performance through other means like merger and acquisition to enhance its competitive advantage, to explore new business opportunities and to uplift the value of the Company.

The Directors believe that both opportunities and challenges ahead, and the retail industry will compete and develop in a better market environment.

The following is the text of a valuation report prepared for inclusion in this circular, received from Valor Appraisal & Advisory Limited, an independent property valuer, in connection with its opinion of the market rents of the property interests, intended to be leased to the Group, as at 30 June 2024.



VALUE WITH VIRTUES

VALOR APPRAISAL & ADVISORY LIMITED

Valor Appraisal & Advisory Limited

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滙來評估及顧問有限公司

香港九龍尖沙咀金馬倫道48號
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電話: +852 3468 8488 傳真: +852 3971 0998

Date: 23 September 2024

The Board of Directors
Jiahua Stores Holdings Limited
Suite 715, 7/F, Ocean Centre
5 Canton Road, Tsimshatsui
Kowloon, Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to provide our opinion of the market rent of a property (the “**Property**”) in the People’s Republic of China (the “**PRC**”) leased/to be leased to Jiahua Stores Holdings Limited (the “**Company**”) or its subsidiaries (hereinafter together referred to as the “**Group**”), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market rent of the Property as at 30 June 2024.

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation is carried out on a market rent basis. Market rent is defined as “the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

In valuing the market rent of the Property, we have adopted market comparison method which is universally considered the most acceptable method for assessing the rent of most forms of real estate. This involves the analysis of recent market rental evidences of similar properties to compare with the Property under assessment. Each comparable is analysed on the basis of its unit rent; each attribute of the comparable is then compared with the Property and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the Property.

VALUATION CONSIDERATIONS

In valuing the market rent of the Property, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the Property on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values and market rents of the Property.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owner of the property has enforceable title to the property and have free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuation for any outstanding or additional land premium, charges, mortgages or amounts owing on the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values and market rents.

TITLE INVESTIGATION

We have been, in some instances, shown copies of various title documents and other documents relating to the Property and have made relevant enquiries. We have not examined the original documents to verify the existing title to the Property and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company's PRC legal adviser, Guangdong

Pinfang Law Firm (廣東品方律師事務所), concerning the validity of the title of Shenzhen Wohua Technology Co., Ltd. (深圳市沃華技術有限公司) (the “**Landlord**”) to the Property located in the PRC.

All legal documents provided by the Company have been used for reference only. No responsibility regarding legal title to the Property is assumed in this valuation report.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the property but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of documents handed to us are correct.

The site inspection of the Property was carried out on 13 July 2024 by Mr. Haydn Y.C. Lee, who is a professional member of Royal Institution of Chartered Surveyors, Chartered Financial Analyst charterholder and member of CPA Australia. He has over 10 years’ experience in valuation of properties in HKSAR and mainland China.

We have relied to a considerable extent on information provided by the Company and the Landlord, and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Landlord. We have also been advised by the Company and the Landlord that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation is limited to the client to whom this valuation is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This valuation is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our valuation report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this valuation are in Renminbi (RMB).

“Property Particulars and Opinion of Value” are herewith attached.

Yours faithfully,
For and on behalf of
Valor Appraisal & Advisory Limited

Haydn Y.C. Lee
MRICS CFA CPA (Aust.)
Director

Mr. Haydn Y.C. Lee is a professional member of Royal Institution of Chartered Surveyors, Chartered Financial Analyst charterholder and member of CPA Australia. He has over 10 years’ experience in valuation of properties in HKSAR and mainland China.

PROPERTY PARTICULARS AND OPINION OF VALUE

Property interests to be leased for owner occupation by the Group in the PRC

Property	Description and Tenure	Particular of Occupancy	Market Rent in Existing State as at 30 June 2024
中國廣東省 深圳市龍崗區 坂田街道 坂雪崗大道 4033號江南 時代廣場B1層 B1-28/B1-29/ B1-30號舖位 (Shop 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)	The property comprises 3 units on Level B1 of a 4-storey (including a basement) shopping mall completed in 2016. The total gross floor area of the property is approximately 4,157 sq.m. The property is located at Banxuegang Avenue, Bantian Street, Longgang District. Developments in the vicinity are mainly residential and commercial developments of various ages. The property is directly accessible to Gangtou station of Shenzhen Metro.	As at the Valuation Date, the property was vacant.	RMB166,000 (Renminbi One Hundred Sixty Six Thousand) per month

Notes:

- (1) Pursuant to an Immovable Property Right Certificate – Yue (2020) Shenzhen Shi Bu Dong Chan Di 0048378 Hao (粵(2020)深圳市不動產第0048378號) registered on 1 April 2020, the land use rights and the building ownership rights of Jiangnan Times Square with a total gross floor area of approximately 19,988.63 sq.m. were granted to Shenzhen Wohua Technology Co., Ltd. for a term expiring on 17 December 2042 for industrial use.
- (2) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following:
 - (i) Shenzhen Wohua Technology Co., Ltd. legally owns the property and is entitled to lease out the property;
 - (ii) The property is subject to a mortgage in favour of Bank of Communications – Shenzhen Branch which has given a consent letter to Shenzhen Wohua Technology Co., Ltd. to lease out the property; and

(iii) On 27 June 2016, Shenzhen Wohua Technology Co., Ltd. submitted the 2016 Version of the Fire Safety Application Form for Change of Uses of Existing Buildings in Bantian Street (坂田街道既有建築功能改變消防申報意見表2016版) to Bantian Street Office (坂田街道辦事處辦公室), in which Shenzhen Wohua Technology Co., Ltd. applied to change the use of Jiangnan Times Square from industrial to commercial. The above application has been reviewed and approved by relevant government authorities.

On 28 July 2016, Bantian Street Office issued the Minutes of the Meeting on the Application for Fire Safety Approval Procedures by Shenzhen Bantian Industrial Group Co., Ltd. and Others (關於深圳市坂田實業集團股份有限公司等申辦消防審核手續現場會會議紀要). Article 2 of the above meeting minutes clearly agreed to the application of Shenzhen Wohua Technology Co., Ltd. for fire safety approval procedures to the relevant departments regarding the plan of changing the use of Jiangnan Times Plaza to a commercial complex.

Accordingly, after Shenzhen Baijiahua Department Stores Company Limited (深圳市百佳華百貨有限公司) has legally obtained the second renovation acceptance procedures and related approvals, the change of use of Jiangnan Times Plaza from industrial to commercial and the intended operation of supermarket by Shenzhen Baijiahua Department Stores Company Limited at the property is not in violation of the PRC laws and the property is legally permissible for operation of retail stores.

(3) The rental valuation is conducted on the assumption that the property is let for a term of 15 years from 15 July 2024 with tenancy details as below:

Landlord:	Shenzhen Wohua Technology Co., Ltd.
Tenant:	Shenzhen Baijiahua Department Stores Company Limited
Lease Term:	15 years (15 July 2024 – 14 July 2039)
Rent Free Period:	First 4 months
Monthly Rent for 1st Year:	RMB145,495.00, inclusive of value-added tax

(4) We have adopted market comparison method to select the relevant rent comparable. We have made reference to some rent comparable to the subject property and nearby development. Since comparable rental evidences of level B1 commercial premises in neighbouring area is not available, we have collected and considered three comparable rental evidences of level 1 commercial premises in neighbouring area based on the criteria that they are in similar commercial usage and located in the same district in the same city as the subject property.

Selection criteria of comparables are as follows:

1. Premises for which rental evidences are available;
2. Premises located in Bantian Sub-district within the Longgang District of Shenzhen;
3. Premises with commercial usage;
4. Level 1 premises; and
5. Premises with a gross floor area of more than 500 sq.m..

3 comparables were selected which are exhaustive based on the above-mentioned selection criteria. We noted that the unit monthly rental of commercial space in neighbouring area was in the range of RMB60 to RMB93 per sq.m. for level 1 commercial premises. Various factors such as floor level, size and location have been considered in comparing the comparables and the subject property. The general basis of adjustment is if the subject property is better than the comparable properties, an upward adjustment is made. Alternatively, if the subject property is inferior or less desirable than the comparable properties, a downward adjustment is made. We consider the factor of location between the comparables and the subject property is similar. We consider the size of the comparables is superior to the property, and hence downward adjustments of 5% to 15% are made. We consider the floor level of the comparables is superior to the property, and hence downward adjustment of 40% is made. A further 5% discount is applied to account for the quoted price nature of the comparables. The size and quoted price adjustments are based on professional judgment. Regarding the floor level adjustment, we have

made reference to floor level adjustment coefficients for commercial premises in the Appendix to the Shenzhen Land Price Calculation Rules (《深圳市地價計算規則》附表) (the “**Calculation Rules**”) issued by the Shenzhen Municipal Planning and Natural Resources Bureau (深圳市規劃與自然資源局) on 31 December 2020. Since level B1 floor level adjustment coefficient is not available in the Calculation Rules, we have made reference to the 40% discount for level 2 commercial premises to level 1 commercial premises. From our experience, level B1 commercial premises usually have larger discounts than level 2 commercial premises. However, considering the property has direct access to Gangtou station of Shenzhen Metro, we consider that a 40% discount is adequate and fair. The unit monthly rental adopted to arrive at the market rent of the subject property is RMB40 per sq.m. which is the average adjusted unit monthly rental of comparables.

Details of the comparables are listed as follows:

	Comparable 1	Comparable 2	Comparable 3
Location	Level 1 Shop, Yangmei Road, Hecheng Jiaye Mingyuan, Longgang District, Shenzhen (深圳市龍崗區和成嘉業名園楊美路1層商舖)	Level 1 Shop, Jiazaoye Central Plaza Phase 1, Longgang District, Shenzhen (深圳市龍崗區佳兆業中央廣場一期1層商舖)	Shop Wuhe Boulevard, Dahe Supermarket, Longgang District, Shenzhen (深圳市龍崗區大和超市五和大道店)
Usage	Commercial	Commercial	Commercial
Approximate walk distance from the property (km)	3.1	0.8	4.9
Gross Floor Area (sq.m.)	2,000	621	550
Monthly Rental (RMB)	120,000	58,000	50,000
Unit Monthly Rental (RMB/sq.m.)	60	93	91
Quoted Price Adjustment	-5%	-5%	-5%
Size Adjustment	-5%	-15%	-15%
Adjusted monthly rental for level 1 premises (RMB/sq.m.)	54	75	73
Floor Level Adjustment	-40%	-40%	-40%
Adjusted monthly rental for level B1 premises (RMB/sq.m.)	32	45	44

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares			Total	Approximate percentage of the number of issued Shares
		Personal interest	Family interest			
Mr. Zhuang	Beneficial Owner	467,985,000	67,500,000 (Note 1)	535,485,000	51.61%	
Mr. Zhuang Xiao Xiong	Beneficial Owner	75,000,000	–	75,000,000	7.23%	

Note:

- (1) 67,500,000 Shares are held by Mrs. Zhuang Su Lan (“**Mrs. Zhuang**”). Since Mrs. Zhuang is the spouse of Mr. Zhuang, under the SFO, Mr. Zhuang is deemed to be interested in the said Shares held by Mrs. Zhuang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions

which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, the following persons (other than a Director or a chief executive of a Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 5% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the Shares and underlying Shares

Name of Shareholder	Type of interest	Capacity	Personal/ corporate interest	Family interest	Total	Approximate percentage of the number of issued Shares
Mrs. Zhuang	Personal	Beneficial owner	67,500,000	467,985,000 (Note 1)	535,485,000	51.61%
Ms. Zhuang Xiao Yun	Personal	Beneficial owner	75,000,000 (Note 2)	–	75,000,000	7.23%
Ms. Chen Li Jun	Personal	Beneficial owner	75,000,000 (Note 3)	–	75,000,000	7.23%

Notes:

- (1) 467,985,000 Shares are held by Mr. Zhuang. Since Mr. Zhuang is the spouse of Mrs. Zhuang, under the SFO, Mrs. Zhuang is deemed to be interested in the said Shares held by Mr. Zhuang.
- (2) Ms. Zhuang Xiao Yun is the daughter of Mr. Zhuang and Mrs. Zhuang.
- (3) Ms. Chen Li Jun is the daughter-in-law of Mr. Zhuang and Mrs. Zhuang.

Save as disclosed above, the Directors were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, none of the Directors or the proposed Directors of the Company was a director or employee of a Company (or its subsidiary) which has an interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. COMPETING INTEREST

As at the Latest Practicable Date, the Directors were not aware that any of them or any of their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

5. MATERIAL CONTRACT

As at the Latest Practicable Date, save as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular:

- (i) a lease agreement dated 27 April 2023 in respect of the leasing of certain properties for the operation of the Group's shopping mall for a term from 1 May 2023 to 30 April 2038 entered into between Shenzhen Baijiahua Commercial Management Limited ("**Baijiahua Commercial Management**"), a wholly owned subsidiary of the Company and 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 18% by Mrs. Zhuang and 82% by 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 (the "**Connected Landlord**").

The details of a lease agreement being entered into are summarized as follows:

Premises:	The retail premises comprised of certain retail spaces located at the intersection of Xinqiao Street Zhongxin Road West and Haoxiang Road South, Baoan District, Shenzhen, Guangdong Province, the PRC (深圳市寶安區新橋街道中心路西與蠓鄉路南交匯處) with a total area of 34,945.39 sq.m. owned by the Connected Landlord
Rent:	An initial monthly rent of RMB1,223,088.65 per month (approximately RMB35 per sq.m. per month), with a 10% increment on the monthly rent for every 5 years

In the event Baijiahua Commercial Management, a company incorporated in the PRC, a wholly owned subsidiary of the Company rents a premise located in the same area from an independent third party at a monthly rent per sq.m. lower than that stipulated in the lease agreement, the monthly rent per sq.m. of the premises will be adjusted to match that amount offered by the independent third party

A rental deposit of RMB1,223,088.65 payable by Baijiahua Commercial Management to the Connected Landlord

- (ii) a commercial lease agreement dated 27 April 2023 in respect of the leasing of certain properties for the operation of the Group's shopping mall for a term of 3 years commencing from 1 June 2023 to 31 May 2026 entered into between 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 and the Connected Landlord.

The details of a commercial lease agreement being entered into are summarized as follows:

Premises: The commercial premises are located at 1st Floor, Building 1, Jiahua Shuyuan Yage, Dabao South Road, Xinan Street, Baoan District, Shenzhen, Guangdong Province, the PRC (深圳市新安街道大寶路南側佳華書苑雅閣1棟商場01層) with a total area of 2,693.69 sq.m.

Rent: A monthly rent of RMB62,224.23 per month (approximately RMB23.1 per sq.m. per month)

A rental deposit of RMB62,224.23 payable by Shenzhen Baijiahua Department Stores Company Limited to the Connected Landlord upon handover

- (iii) a lease agreement dated 27 April 2023 in respect of the leasing of certain properties for the operation of the Group's shopping mall for a term from 1 April 2024 to 28 February 2034 entered into between Baijiahua Commercial Management, a wholly owned subsidiary of the Company and a Shenzhen Shajing Shayi Stock Cooperative Company, an independent third party.

The details of an independent lease agreement being entered into are summarized as follows:

Premises: The independent premises comprised of certain retail spaces located at the intersection of Xinqiao Street Zhongxin Road West and Haoxiang Road South, Baoan District, Shenzhen, Guangdong Province, the PRC (深圳市寶安區新橋街道中心路西與蠓鄉路南交匯處) with a total area of 18,730.09 sq.m. owned by Shenzhen Shajing Shayi Stock Cooperative Company, an independent third party

Rent: An initial monthly rent of RMB786,663.78 per month (approximately RMB42 per sq.m. per month), with a 10% increment on the monthly rent for every 3 years

First monthly rental payment shall be paid on or before 10 April 2024 by way of bank transfer and will be financed by internal resources of the Company

A rental deposit of RMB2,359,991.34 shall be payable by Baijiahua Commercial Management to Shenzhen Shajing Shayi Stock Cooperative Company 3 days after the execution of the independent lease agreement

6. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors and proposed Directors has, or had any direct or indirect interest in any assets which had been or are proposed to be since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed below, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

The Company has entered into the following connected transactions under Chapter 14A of the Listing Rules:

A. Rental income received from Jiahua Group

深圳市百佳華集團有限公司(Shenzhen Baijiahua Group Company Limited) (“**Jiahua Group**”) is owned as to 90% by Mr. Zhuang and 10% by Mrs. Zhuang.

Lease of commercial properties to Jiahua Group

Certain commercial properties are leased to Jiahua Group pursuant to a lease agreement entered into between Shenzhen Baijiahua Department Stores Company Limited and Jiahua Group for commercial purposes.

B. Rental income received from Shenzhen Jiahua Real Estate Development Company Limited

深圳市佳華房地產開發有限公司(Shenzhen Jiahua Real Estate Development Company Limited) (the “**Landlord**”) is owned as to 18% by Mrs. Zhuang and 82% by Jiahua Group (a company owned as to 90% by Mr. Zhuang and 10% as to Mrs. Zhuang). Since Mrs. Zhuang is the spouse of Mr. Zhuang, she is an associate of Mr. Zhuang. Since Mrs. Zhuang is interested in the equity capital of the Landlord so as to exercise or control the exercise of 30% or more of the voting power at general meetings of the Landlord, the Landlord is an associate of Mr. Zhuang and also a connected person of the Company.

Lease of commercial properties to the Landlord

Certain commercial properties are leased to the Landlord pursuant to a lease agreement entered into between Shenzhen Baijiahua Department Stores Company Limited and the Landlord for commercial purposes.

C. Lease of two store premises from Jiahua Group

Jiahua Group is owned as to 90% by Mr. Zhuang and 10% by Mrs. Zhuang. The Group leased two store premises from Jiahua Group, details of which are set out as follows:

- (i) Lease of store premises for the Longhua Store between Jiahua Group (as landlord) and Shenzhen Baijiahua Department Stores Company Limited (as tenant); and
- (ii) Lease of store premises for the Songgang Store between Jiahua Group (as landlord) and Shenzhen Baijiahua Department Stores Company Limited (as tenant).

D. Lease of four store premises from the Landlord

The Landlord is owned as to 18% by Mrs. Zhuang and 82% by Jiahua Group (a company owned as to 90% by Mr. Zhuang and 10% as to Mrs. Zhuang). Since Mrs. Zhuang is the spouse of Mr. Zhuang, she is an associate of Mr. Zhuang. Since Mrs. Zhuang is interested in the equity capital of the Landlord so as to exercise or control the exercise of 30% or more of the voting power at general meetings of the Landlord, the Landlord is an associate of Mr. Zhuang and also a connected person of the Company. The Group leased three stores premises from the Landlord, details of which are set out as follows:

- (i) Lease of store premises for the Shuyuan Yage Store between the Landlord (as landlord) and Shenzhen Baijiahua Department Stores Company Limited, a wholly-owned subsidiary of the Company (as tenant);
- (ii) Lease of store premises for the Bantian shopping mall between the Landlord (as landlord) and Baijiahua Commercial Management, a wholly-owned subsidiary of the Company (as tenant);
- (iii) Lease of store premises for the Guanlan shopping mall between the Landlord (as landlord) and Baijiahua Commercial Management (as tenant); and
- (iv) Lease of store premises for the Shajing Shopping mall between the Landlord (as landlord) and Baijiahua Commercial Management (as tenant).

E. Car park usage and car park usage fee payable to Shenzhen Jiahua Property Management Limited

Shenzhen Jiahua Property Management Limited (the “**Property Manager**”), a company incorporated in the PRC, and is held as to 95% and 5% by the Landlord and Jiahua Group respectively.

The Group entered into the car park fee agreements in respect of the usage of car parking spaces located in Jiahua Lingyu Plaza Phase II and Jiahua Linghui Plaza Phase II for a term of 3 years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

In the opinion of the Directors (including the Independent Non-Executive Directors), the terms of the continuing connected transactions referred to above are made in the ordinary and usual course of the Group’s business, on an arm’s length basis and on normal commercial terms which are no less favorable than terms available from independent third parties. The Directors (including the Independent Non-executive Directors) confirm that these transactions have been conducted in accordance with the relevant agreements governing the transactions and are of the view that the terms and conditions of these transactions are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

7. DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years (two years for Non-executive Director and Independent Non-executive Directors) unless terminated by not less than three months' (two months' for Non-executive Director and Independent Non-executive Directors) written notice of termination served by either the Director or the Company. Each of the service contracts further provides that during the term of the service contract and within two years upon the termination of service, the Executive Director cannot engage in any business which is competing or is likely to compete, either directly or indirectly, with the business of the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association of the Company.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claims of material importance and there was no litigation or arbitration or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

9. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have been named in this circular or have given their respective opinion or advice contained in this circular:

Name	Qualification
Valor Appraisal & Advisory Limited (" Valor ")	Professional surveyors and valuers

Valor has given and has not withdrawn its written consent to inclusion of their letter(s) and/or report(s) (as the case maybe) dated 23 September 2024 in this circular and references to its name included herein in the form and context in which it appears.

As at the Latest Practicable Date, Valor did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

As at the Latest Practicable Date, Valor did not have any direct or indirect interest in any assets which had been, since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is Suite 715, 7th Floor, Ocean Centre, Harbour City, 5 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Mr. Ho Yuet Lee, Leo, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has over 21 years of experience in accounting, auditing and corporate finance. Mr. Ho has served the Group for over 16 years.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.szbj.com>) for 14 days from the date of this circular:

- (a) the Long-Term Lease Agreement;
- (b) the letter from the Board as set forth on this circular;
- (c) the valuation report on the Premises, the text of which is set out in Appendix II to this circular; and
- (d) the written consent letter referred to in the paragraph headed “Expert and Consent” in this Appendix.