

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



佳華百貨控股有限公司
Jiahua Stores Holdings Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 602)

MAJOR ACQUISITION AND CONNECTED TRANSACTION

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



Grand Vinco Capital Limited
(A wholly-owned subsidiary of Vinco Financial Group Limited)

ACQUISITION OF PROPERTY

On 9 January 2012 (after trading hours), BJH Department Stores, as a purchaser, agreed to acquire the Property from JH Real Estate, as a vendor, for an aggregate consideration of RMB270.0 million (equivalent to approximately HK\$332.1 million).

The Property which is located at levels 1 to 4 of the retail commercial podium, JiaHua Ming Yuan (佳華名苑), Area N1, Central Zone, Baoan District, Shenzhen, Guangdong Province, the PRC, has a total of gross floor area of approximately 8,080.5 sq.m.. Residential flats of 15 storeys with gross floor area of approximately 14,154.6 sq.m. are situated above the Property. The land where the Property is situated was acquired by the Vendor in 1996. The historical cost invested by the Vendor in the Property for development was approximately RMB73.1 million. The Property is currently under development and is expected to be completed by 30 June 2012. The Company intended that the level 4 of the Property of approximately 2,278.3 sq.m. will be used for administration office of the Group and levels 1-3 of the Property of approximately 5,802.2 sq.m. will be used for leasing purpose.

The Consideration of RMB270.0 million (equivalent to approximately HK\$332.1 million), which has been arrived at after arm's length negotiations between BJH Department Stores and JH Real Estate and was determined with reference to the valuation of the Property of RMB275.0 million (equivalent to approximately HK\$338.3 million) valued by an independent valuer, represents a discount of approximately 1.8% to the valuation of the Property.

As at the date of this announcement, JH Real Estate, which is principally engaged in property development and property management in the PRC, is owned as to 60% by Mrs. Zhuang, an associate of Mr. Zhuang and 40% by BJH Industrial while BJH Industrial, which is principally engaged in property development and property management in the PRC, is owned as to 90% by Mr. Zhuang and 10% by Mrs. Zhuang. As such, JH Real Estate is a connected person of the Company and therefore, the transactions contemplated under the Acquisition Agreement constitute a connected transaction for the Company under the Listing Rules. As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% and less than 100%, the Acquisition as a connected transaction is subject to the reporting, announcement and the Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Further, based on the relevant percentage ratio calculation under the Listing Rules, the Acquisition also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder. Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard. The Company will convene the EGM for the Independent Shareholders to consider the approval of the Acquisition Agreement and the transactions contemplated thereunder. Mr. Zhuang and his associates will abstain from voting at the EGM in respect of the ordinary resolution to approve the above matters. The votes of the Independent Shareholders regarding the resolution for approval of the Acquisition Agreement and the transactions contemplated thereunder will be taken by way of a poll at the EGM.

A circular containing, among other things, (i) further information on the terms of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition Agreement and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the terms of the Acquisition Agreement and the transactions contemplated thereunder; (iv) the property valuation report on the Property; and (v) a notice to Shareholders convening the EGM and a proxy form to approve, in particular, the terms of the Acquisition Agreement and the transactions contemplated thereunder will be despatched to the Shareholders on or before 20 January 2012.

The Board is pleased to announce that BJH Department Stores entered into the Acquisition Agreement on 9 January 2012 for an acquisition of the Property at a Consideration of RMB270.0 million (equivalent to approximately HK\$332.1 million).

THE ACQUISITION AGREEMENT

Date

9 January 2012 (after trading hours)

Parties

Vendor: : JH Real Estate

Purchaser : BJH Department Stores

Assets to be acquired

Pursuant to the terms and conditions of the Acquisition Agreement, BJH Department Stores agreed to acquire the Property from JH Real Estate for an aggregate consideration of RMB270.0 million (equivalent to approximately HK\$332.1 million).

The Property which is located at levels 1 to 4 of the retail commercial podium, Jia Hua Ming Yuan (佳華名苑), Area N1, Central Zone, Baoan District, Shenzhen, Guangdong Province, the PRC, has a total of gross floor area of approximately 8,080.5 sq.m.. Residential flats of 15 storeys with gross floor area of approximately 14,154.6 sq.m. are situated above the Property. The land where the Property is situated was acquired by the Vendor in 1996. The historical cost invested by the Vendor in the Property for development was approximately RMB73.1 million. The Property is currently under development and is expected to be completed by 30 June 2012. The Company intended that the level 4 of the Property of approximately 2,278.3 sq.m. will be used as the administration office of the Group and levels 1-3 of the Property of approximately 5,802.2 sq.m. will be used for leasing purpose.

According to the legal opinion issued by an independent PRC lawyer of the Company, (1) JH Real Estate, which was incorporated in the PRC and legally exists up to the date of the legal opinion, has obtained the land use right of the Property under proper legal procedures, and has completed all necessary administrative and legal processes in accordance with the PRC law; (2) there is no other evidences brought to the attention of the PRC lawyer that there are liens, charges, encumbrances and other right restrictions issues or potential legal disputes; (3) except for level 4 of the Property which is built in excess of area stated in the original planning approval, levels 1-3 of the Property has been granted pre-sale permit; (4) the area of the Property measured during pre-sale approval indicates that the built area is in excess of the area stated in the planning approval. If the measurement result of completion inspection shows that this situation persists, JH Real Estate will need to pay additional land premium for the excessive area and after such payment by JH Real Estate, there will not be any legal obstacle for the purchaser in obtaining the property ownership certificate; and (5) the sale and purchase of level 4 of the Property is considered as provisional sale and purchase and is in compliance with the relevant PRC law.

Consideration

Pursuant to the Acquisition Agreement, the Consideration of RMB270.0 million (equivalent to approximately HK\$332.1 million), which has been arrived at after arm's length negotiations between BJH Department Stores and JH Real Estate and was determined with reference to the valuation of the Property of RMB275.0 million (equivalent to approximately HK\$338.3 million) valued by an independent professional valuer, represents a discount of approximately 1.8% to the valuation of the Property. Below is the breakdown of the Consideration of each level of the Property:

Level	Gross Floor Area <i>(approximately sq.m.)</i>	Average unit price <i>(approximately RMB/ sq.m.)</i>	Consideration <i>(approximately RMB million)</i>
1	1,635.6	55,825.0	91.4
2	2,204.7	33,400.0	73.6
3	1,961.9	27,023.9	53.0
Subtotal for levels 1 to 3	5,802.2	37,565.6	218.0
4	2,278.3	22,840.5	52.0
Total for levels 1 to 4	8,080.5	33,413.9	270.0

The Consideration will be settled according to the below schedule:

- (i) approximately RMB109.0 million (equivalent to approximately HK\$134.1 million), being 50% of the consideration for levels 1 to 3 of the Property, will be satisfied by cash payable within 3 days after the satisfaction of items (1) and (2) as set out in the section headed "Conditions Precedent" of this announcement;
- (ii) approximately RMB87.2 million (equivalent to approximately HK\$107.3 million), being 40% of the consideration for levels 1 to 3 of the Property, will be satisfied by cash payable within 10 days from the date of obtaining the acknowledgement (備案回執) from the relevant ministry of land and resources of its receipt of the Acquisition Agreement;
- (iii) approximately RMB73.8 million (equivalent to approximately HK\$90.8 million), being 10% of the consideration for levels 1 to 3 of the Property and 100% of the consideration for level 4 of the Property, will be satisfied by way of issuance of one year interest-free promissory notes by the Company to JH Estate within 3 days after the satisfaction of item (3) as set out in the section headed "Conditions Precedent" of this announcement; and

- (iv) the one year interest-free promissory notes can only be converted into cash after JH Real Estate has obtained the building ownership certificate of the Property for BJH Department Stores.

It is the intention of the Group to finance the Acquisition by way of its internal resources and/or bank borrowing, if necessary.

Conditions precedent

The completion of the Acquisition Agreement is subject to the following conditions:

- (1) obtaining the Shenzhen Municipal property pre-sales permits (深圳市房地產預售許可證) in relation to levels 1 to 3 of the Property by JH Estate;
- (2) the Independent Shareholders having approved by way of poll at the EGM for the Acquisition Agreement and the transactions contemplated thereunder;
- (3) obtaining the completion acceptance report (竣工驗收報告) by JH Estate; and
- (4) JH Real Estate settling the additional land premium for the built area in excess of area stated in the planning approval.

The conditions above shall not be waived in any event. As at the date of the Acquisition Agreement, JH Estate has obtained the Shenzhen Municipal property pre-sale permits in relation to levels 1 to 3 of the Property.

If the Conditions have not been fulfilled by 30 December 2012 (or such other date as the parties to the Acquisition Agreement may agree in writing), the Acquisition Agreement shall thereupon be terminated.

Should the Acquisition Agreement be terminated, JH Real Estate, as the vendor, is required to return the received cash amount and the promissory notes in full without any interest accrued thereon to BJH Department Stores, the purchaser.

Completion of the Acquisition

The completion of the Acquisition will take place on or before the 7 Business Day after the conditions have been fulfilled in accordance with the Acquisition Agreement or such other date as the parties to the Acquisition Agreement may agree.

REASONS AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in investment holding and BJH Department Stores, one of its subsidiaries, is principally engaged in investment holding and operation and management of retail stores in the PRC.

The Directors consider that the Acquisition is beneficial to the Group based on the following: (i) the Acquisition enables the Group to secure long-term office premise and avoid unnecessary disruptions due to any market rent fluctuation and to capture any capital gains in future should the property market rises; (ii) the Consideration was determined with reference to the valuation of the Property of RMB275.0 million (equivalent to approximately HK\$338.3) valued by an independent professional valuer represents a discount of approximately 1.8% to the valuation of the Property; (iii) the terms of the Acquisition Agreement are negotiated between the relevant parties on an arm's length basis and are normal commercial terms; and, (iv) the Property, which is situated in a new commercial and residential area of Shenzhen Municipality, is surrounded by various communal commercial facilities, within proximity to the Shenzhen Metro and well-served by an extensive public transportation network. Given its prime location, it is considered that the potential return from rental income to be substantial. Therefore, the Directors (excluding members of the Independent Board Committee who will be advised by the Independent Financial Adviser) consider that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition which is beneficial to the Group is in the interests of the Company and the Shareholders as a whole.

GENERAL

As at the date of this announcement, JH Real Estate, which is principally engaged in property development and property management in the PRC, is owned as to 60% by Mrs. Zhuang, an associate of Mr. Zhuang and 40% by BJH Industrial while BJH Industrial, which is principally engaged in property development and property management in the PRC, is owned as to 90% by Mr. Zhuang and 10% by Mrs. Zhuang. As such, JH Real Estate is a connected person of the Company and therefore, the transactions contemplated under the Acquisition Agreement constitute a connected transaction for the Company under the Listing Rules. As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% and less than 100%, the Acquisition as a connected transaction is subject to the reporting, announcement and the Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Further, based on the relevant percentage ratio calculation under the Listing Rules, the Acquisition also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Also, in view of the material interest in respect of Mr. Zhuang in the Acquisition Agreement, Mr. Zhuang and his associates, holding in an aggregate interest of 73.3% in the Company, has abstained from voting on the relevant board resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder. Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard. The Company will convene the EGM for the Independent Shareholders to consider the approval of the Acquisition Agreement and the transactions contemplated thereunder. Mr. Zhuang and his associates will abstain from voting at the EGM in respect of the ordinary resolution to approve the above matters. The votes of the Independent Shareholders regarding the resolution for approval of the Acquisition Agreement and the transactions contemplated thereunder will be taken by way of a poll at the EGM.

A circular containing, among other things, (i) further information on the terms of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the independent advice of the Independent Financial Adviser regarding the terms of the Acquisition Agreement and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the terms of the Acquisition Agreement and the transactions contemplated thereunder; (iv) the property valuation report on the Property; and (v) a notice to Shareholders convening the EGM and a proxy form to approve, in particular, the terms of the Acquisition Agreement and the transactions contemplated thereunder will be despatched to the Shareholders on or before 20 January 2012.

DEFINITIONS

“Acquisition”	the acquisition of the Property pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 9 January 2012 entered into between JH Real Estate, as a vendor, and BJH Department Stores, as a purchaser, in respect of the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“BJH Department Stores” or “Purchaser”	深圳市百佳華百貨有限公司 (Shenzhen Baijiahua Department Stores Company Limited), a wholly owned subsidiary of the Company and a wholly foreign-owned enterprise incorporated in the PRC with limited liability
“BJH Industrial”	深圳市百佳華實業發展有限公司 (Shenzhen Baijiahua Industrial Development Company Limited), a company incorporated in the PRC on 24 August 1995 with limited liability, which is owned as to 90% by Mr. Zhuang and 10% by Mrs. Zhuang as at the date of this announcement
“Board”	the board of Directors

“Business Day(s)”	Day(s) on which banks in Hong Kong are generally open for business (excluding a Saturday and Sunday)
“Company”	Jiahua Stores Holdings Limited (佳華百貨控股有限公司) (stock code: 602), an exempted company incorporated in Cayman Islands on 4 September 2006 and the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB270.0 million (equivalent to approximately HK\$332.1 million)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Thursday, 9 February 2012 at 3/F., Conference room 1, The Capital Plaza Hotel, 1st Baomin Road, Baoan District, Shenzhen, the PRC for the purpose of considering and, if thought fit, approving terms of the Acquisition Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries (from time to time)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of Directors, consisting of independent non-executive Directors, will be formed to advise the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a licensed corporation to carry out business in type 1 (dealing in securities), and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder

“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules
“Independent Shareholders”	Shareholders other than Mr. Zhuang and his associates
“JH Real Estate” or “Vendor”	深圳市佳華房地產開發有限公司 (Shenzhen Jiahua Real Estate Development Company Limited), which is owned as to 60% by Mrs. Zhuang and 40% by BJH Industrial as at the date of this announcement
“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 also 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
“Property”	levels 1 to 4 of the retail commercial podium, Jia Hua Ming Yuan (佳華名苑), Area N1, Central Zone, Baoan District, Shenzhen, Guangdong Province, the PRC with a total of gross floor area of approximately 8,080.5 sq.m. for commercial uses
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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\$1.23. 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, 9 January 2012

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhuang Lu Kun, Mr. Zhuang Pei Zhong, Mr. Gu Wei Ming and Mr. Zhuang Xiao Xiong and three independent non-executive Directors, namely Mr. Chin Kam Cheung, Dr. Guo Zheng Lin, and Mr. Ai Ji.