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## **Shirble Department Store Holdings (China) Limited**

**歲寶百貨控股(中國)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00312)**

### **CONNECTED TRANSACTION IEC SUPPLEMENTAL TERMINATION AGREEMENT**

#### **Background information**

On 30 December 2020, the IEC Project Consulting Service Agreement has been mutually terminated, as set forth in the Termination Announcement, and SRF has agreed that the outstanding amount of RMB422.1 million (equivalent to HK\$472.5 million) up to 30 December 2020 would continue to be payable by SRF. During the period from the date of the IEC Termination Agreement to the date of this announcement, SRF has settled an amount of RMB 74.7 million (equivalent to HK\$83.6 million). The outstanding amount as of the date of this announcement is RMB 347.4 million (equivalent to HK\$388.9 million).

Throughout the last two years, however, the PRC real property sector has been severely affected by the COVID-19 pandemic and a series of contracting monetary policies implemented by the PRC government. The demand for real properties in the PRC has been sluggish for a prolonged period of time. The construction progress of the IEC Project has been slackened because of the lack of funding support provided by financial institutions in the PRC. The Directors are given to understand that the sales of the property comprising the IEC Project are significantly less than the original estimates. Against this background, SRF has indicated to the Group that it would like to extend the repayment period.

Having considered the recent trends of the real property market in the PRC and the current situation that the uncompleted IEC Project could not be disposed by SRF at acceptable prices, the Directors are of the view that an extension of the repayment period for the outstanding amount of RMB347.4 million (equivalent to HK\$388.9 million) would be the most commercially viable option available to the Group.

### **Implications under the Listing Rules**

The IEC Supplemental Termination Agreement constitutes a material variation to the terms of the IEC Project Consulting Service Agreement and the IEC Termination Agreement. The IEC Supplemental Termination Agreement constitute a “transaction” between members of the Group and SRF which is a connected person (as such term is defined under the Listing Rules) of the Company and hence a connected transaction for the Company. According to the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules, the IEC Supplemental Termination Agreement and the transactions contemplated thereunder shall be subject to the reporting, announcement, annual review and approval by the Independent Shareholders at general meeting.

### **2023 EGM**

The 2023 EGM will be convened at which ordinary resolutions will be proposed to consider, and if thought fit, approve the IEC Supplemental Termination Agreement by the Independent Shareholders.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the IEC Supplemental Termination Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendation to the Independent Shareholders on how to vote at the 2023 EGM, taking into account the advice of the Independent Financial Adviser. Astrum Capital Management Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

A circular containing, among other things, (a) further information on the IEC Supplemental Termination Agreement; (b) the recommendation from the Independent Board Committee to the Independent Shareholders; (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the IEC Supplemental Termination Agreement; and (d) a notice convening the 2023 EGM, is expected to be despatched to the Shareholders as soon as possible and in any event, on or before 26 January 2023. If there is any delay in the despatch of the circular, the Company will issue further announcements.

### **BACKGROUND INFORMATION**

The Board refers to the First Announcement. At the 2019 EGM, the IEC Project Consulting Service Agreement has been approved by the Independent Shareholders. For the period from 8 April 2019 to 30 December 2020, the Group recognised property development consulting service income under the IEC Project Consulting Service Agreement in the total amount of RMB620.6 million (equivalent to HK\$694.8 million).

On 30 December 2020, the IEC Project Consulting Service Agreement has been mutually terminated, as set forth in the Termination Announcement, and SRF has agreed that the outstanding amount of RMB422.1 million (equivalent to HK\$472.5 million) up to 30 December 2020 would continue to be payable by SRF. During the period from the date of the IEC Termination Agreement to the date of this announcement, SRF has settled an amount of RMB 74.7 million (equivalent to HK\$83.6 million). The outstanding amount as of the date of this announcement is RMB 347.4 million (equivalent to HK\$388.9 million).

Throughout the last two years, however, the PRC real property sector has been severely affected by the COVID-19 pandemic and a series of contracting monetary policies implemented by the PRC government. The demand for real properties in the PRC has been sluggish for a prolonged period of time. The construction progress of the IEC Project has been slackened because of the lack of funding support provided by financial institutions in the PRC. The Directors are given to understand that the sales of the property comprising the IEC Project are significantly less than the original estimates. Against this background, SRF has indicated to the Group that it would like to extend the repayment period.

#### **PRINCIPAL TERMS AND CONDITIONS OF THE IEC SUPPLEMENTAL TERMINATION AGREEMENT**

The following sets forth a summary of the principal terms and conditions of the IEC Supplemental Termination Agreement:

Date:	30 December 2022
Parties:	Shirble Management Consultant and SRF
Repayment amount:	RMB 347.4 million (equivalent to HK\$388.9 million)
Repayment period:	SRF shall repay the aggregate of RMB 347.4 million (equivalent to HK\$388.9 million) to Shirble Management Consultant in the following manner:  <ul style="list-style-type: none"> <li>(i) RMB 119.5 million (equivalent to HK\$133.8 million) on or before 31 December 2025;</li> <li>(ii) RMB 180.0 million (equivalent to HK\$201.5 million) on or before 31 December 2026; and</li> <li>(iii) RMB 47.9 million (equivalent to HK\$53.6 million) on or before 31 December 2027.</li> </ul>
Interest payment:	The interest on the outstanding amount will be accrued from 1 January 2023, and will be payable in three installments on 31 December 2025, 2026 and 2027, at the prevailing benchmark rate for three-year RMB fixed deposit published by the China Construction Bank in PRC from time to time.
Other terms and conditions:	The performance of the IEC Supplemental Termination Agreement is conditional upon the approval by the Independent Shareholders at the 2023 EGM.  Save as modified by the IEC Supplemental Termination Agreement, all other terms and conditions of the IEC Termination Agreement shall remain unchanged and continue in full force and effect.
Governing law:	The laws of the PRC.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE IEC SUPPLEMENTAL TERMINATION AGREEMENT**

Having considered the recent trends of the real property market in the PRC and the current situation that the uncompleted IEC Project could not be disposed by SRF at acceptable prices, the Directors are of the view that an extension of the repayment period for the outstanding amount of RMB347.4 million (equivalent to HK\$388.9 million) would be the most commercially viable option available to the Group. The Directors do not consider that any court proceedings that may be initiated by Shirble Management Consultant against SRF in the PRC would be helpful to the Group to recover the amount due from SRF as the IEC Project has yet to be completed and that the Group is only one of the unsecured creditors of SRF. All the equity interests of SRF have been pledged to a financial institution as the collateral for its bank financing. Any court proceedings would also adversely affect the business of SRF and the construction progress of the IEC Project, trigger further claims from its other creditors and would probably require the Group to make provision for doubtful debt on the entire outstanding amount of RMB 347.4 million (equivalent to HK\$388.9 million) due from SRF. In such case, the recovery of the amount due, if any, would require a long period of time and involve a high degree of uncertainty.

Taking into consideration the above, the Board (other than the independent non-executive Directors who will render their view after considering the advice to be given by the Independent Financial Adviser) is of the view that the entering into the IEC Supplemental Termination Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

The Group is principally engaged in the operation of department stores in the PRC. Shirble Management Consultant is a wholly-owned subsidiary of the Company. Its principal business is the provision of integrated consulting services.

SRF is a limited liability company established in the PRC. Its principal business is engaged in the real estate development business. Mr. YANG Ti Wei, an executive Director, Deputy Chairman and Chief Executive Officer of the Company, is the legal representative of SRF. As of the date of this announcement, Mrs. Yang and Mrs. Yang's Controlled Companies held the entire equity interest in SRF. SRF is therefore a connected person (as such term is defined under the Listing Rules) of the Company.

## **IMPLICATIONS UNDER THE LISTING RULES**

The IEC Supplemental Termination Agreement constitutes a material variation to the terms of the IEC Project Consulting Service Agreement and the IEC Termination Agreement. The IEC Supplemental Termination Agreement constitute a "transaction" between members of the Group and SRF which is a connected person (as such term is defined under the Listing Rules) of the Company and hence a connected transaction for the Company. According to the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules, the IEC Supplemental Termination Agreement and the transactions contemplated thereunder shall be subject to the reporting, announcement, annual review and approval by the Independent Shareholders at general meeting.

## **2023 EGM**

The 2023 EGM will be convened at which ordinary resolutions will be proposed to consider, and if thought fit, approve the IEC Supplemental Termination Agreement by the Independent Shareholders.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the IEC Supplemental Termination Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendation to the Independent Shareholders on how to vote at the 2023 EGM, taking into account the advice of the Independent Financial Adviser. Astrum Capital Management Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

A circular containing, among other things, (a) further information on the IEC Supplemental Termination Agreement; (b) the recommendation from the Independent Board Committee to the Independent Shareholders; (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the IEC Supplemental Termination Agreement; and (d) a notice convening the 2023 EGM, is expected to be despatched to the Shareholders as soon as possible and in any event, on or before 26 January 2023. If there is any delay in the despatch of the circular, the Company will issue further announcements.

## DEFINITIONS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context requires otherwise, the capitalised terms used herein shall have the following meanings:

“2019 EGM”	the extraordinary general meeting of the Company held on 14 June 2019 at which, amongst others, the IEC Project Consulting Service Agreement and the connected transactions constituted thereunder were approved by the independent Shareholders;
“2023 EGM”	the extraordinary general meeting of the Company expected to be convened in Hong Kong or any adjournment thereof for the purpose of seeking the approval from the Independent Shareholders on the IEC Supplemental Termination Agreement;
“Board”	the board of Directors;
“Company”	Shirble Department Store Holdings (China) Limited (歲寶百貨控股(中國)有限公司), a company incorporated in the Cayman Islands with limited liability with all the Shares listed on the Stock Exchange (stock code: 312);
“Director(s)”	the director(s) of the Company (including all non-executive director(s) and independent non-executive director(s)) of the Company;
“First Announcement”	the announcement issued by the Company on 8 April 2019 on, inter alia, the IEC Project Consulting Service Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“IEC Project”	the International Exhibition Center Project, being phase one of the proposed property development project situated at the intersection between Shangbu Road and Nigang Road, the Futian District, Shenzhen, the PRC and is beneficially owned by SRF;
“IEC Project Consulting Service Agreement”	the integrated consulting service agreement entered into between Shirble Management Consultant and SRF on 8 April 2019, in relation to the provision of certain consulting services by Shirble Management Consultant to SRF in respect of the IEC Project;
“IEC Supplemental Termination Agreement”	the supplemental agreement entered into between Shirble Management Consultant and SRF on 30 December 2022 for the purpose of amending the terms of the IEC Termination Agreement;
“IEC Termination Agreement”	the termination agreement entered into between Shirble Management Consultant and SRF on 30 December 2020 for the purpose of terminating the IEC Project Consulting Service Agreement;
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Chen Fengliang, Mr. Jiang Hongkai and Mr. TSANG Wah Kwong, established to make recommendations to the Independent Shareholders on their voting on the resolutions to be proposed at the 2023 EGM on the IEC Supplemental Termination Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	Astrum Capital Management Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the IEC Supplemental Termination Agreement and the transactions contemplated thereunder;

“Independent Shareholders”	the Shareholders who are not required to abstain from voting under the Listing Rules on the resolutions approving the IEC Supplemental Termination Agreement and the transactions contemplated thereunder to be tabled at the 2023 EGM;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and its amendments from time to time;
“Mrs. Yang”	Ms. HUANG Xue Rong (黃雪蓉), the chairlady and the non-executive Director;
“Mrs. Yang’s Controlled Companies”	Shenzhen Meilianchuang Investment Development Co., Ltd.* (深圳市美聯創投資發展有限公司), Shenzhen Shunxiangyuan Investment Co., Ltd.* (深圳市順祥源投資有限公司), Shenzhen Anjuyuan Investment Co., Ltd.* (深圳市安居源投資有限公司) and Shenzhen Heruikang Investment Development Co., Ltd.* (深圳市合瑞康投資發展有限公司), which were established in Shenzhen, the PRC, and equity interests of these companies are beneficially owned by Mrs. Yang as confirmed by the PRC legal advisers to the Company;
“PRC”	The People’s Republic of China which for the purpose of this announcement and geographical and jurisdictional references only, excludes Hong Kong, The Macau Special Administration Region of the PRC and Taiwan;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“Shareholders”	holders of the shares of the Company from time to time;

“Shirble Management Consultant”	Shenzhen Shirble Enterprise Management Co., Ltd. (深圳市歲寶企業管理有限公司), a limited liability company established in China and a wholly-owned subsidiary of the Company. Shirble Management Consultant is under the process of the change of the company name to Shenzhen Runju Engineering Construction Co., Ltd. (深圳市潤居工程建設有限公司) which expected to be completed in early 2023;
“SRF”	Shenzhen Shengrunfeng Investment & Development Co., Ltd.* (深圳市晟潤豐投資發展有限公司), a limited liability company established in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Termination Announcement”	the announcement issued by the Company on 30 December 2020 on, inter alia, the SRF Termination Agreement; and
“%”	per cent.

*For illustration purpose only, amounts in RMB have been translated into HK\$ at the rate of RMB1.0 = HK\$1.1195. No representation has been given by the Company that RMB and HK\$ can be converted or exchanged at the stated exchange rate.*

*\* The English names of the Chinese entities included in this announcement are unofficial translations of their Chinese names and are included in this announcement for identification purpose only.*

By the order of the Board  
**Shirble Department Store Holdings (China) Limited**  
**YANG Ti Wei**  
*Deputy Chairman, Chief Executive Officer and  
Executive Director*

Hong Kong, 30 December 2022

*As of the date of this announcement, the non-executive Director is Ms. HUANG Xue Rong (Chairlady), the executive Director is Mr. YANG Ti Wei (Deputy Chairman and Chief Executive Officer) and the independent non-executive Directors are Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. TSANG Wah Kwong.*