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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)

MAJOR TRANSACTION LEASE AGREEMENT FOR DEPARTMENT STORE IN NANSHAN DISTRICT, SHENZHEN, THE PRC

The Board wishes to announce that on 29 December 2023 (after trading hours), the Lease Agreement has been entered into for the Lease Period, pursuant to which the Group would continue to use the Leased Premises as its department store in Shenzhen, the PRC. The Group has been leasing the Leased Premises to operate its department store since 2009 under the Existing Lease Agreement, which is due to expire on 31 December 2023.

Pursuant to IFRS 16 “Leases”, the Group will recognise a right-of-use asset in its financial statements when the Group enters into a lease transaction as the lessee and such transaction will be deemed to be an acquisition of a capital asset for the purpose of the Listing Rules. The value of the right-of-use asset to be recognised by the Group under the Lease Agreement is estimated to be RMB50.5 million, which is calculated in accordance with IFRS 16 “Leases” with reference to the present value of the aggregated lease payments to be made under the Lease Agreement.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the transaction contemplated under the Lease Agreement is more than 25% but less than 100%, the transaction contemplated under the 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.

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 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 Lease Agreement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting for approving the Lease Agreement. The Company has received a written approval from Shirble Department Store Limited, one of the controlling Shareholders, holding 1,374,167,500 Shares (representing approximately 55.08% of the total number of Shares in issue as of the date of the written Shareholder's approval and the date of this announcement, respectively) to approve the 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 Lease Agreement and the transaction contemplated thereunder. A circular containing, among other things, further information on the Lease Agreement and the transaction contemplated thereunder is expected to be despatched to the Shareholders within fifteen (15) business days after the publication of this announcement on or before 22 January 2024 in compliance with the requirements under the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 29 December 2023 (after trading hours), the Lease Agreement has been entered into for the Lease Period, pursuant to which the Group would continue to use the Leased Premises as its department store in Nanshan District, Shenzhen, the PRC. The Group has been leasing the Leased Premises to operate its department store since 2009 under the Existing Lease Agreement, which is due to expire on 31 December 2023.

THE LEASE AGREEMENT

The table below sets forth the principal terms of the Lease Agreement:

Date:	29 December 2023 (after trading hours)
Parties:	(a) the Lessee, a wholly-owned subsidiary of the Company and (b) the Lessor. To the best of knowledge, information and belief of the Directors and having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are Independent Third Parties.
Location:	Podium 101, Phase 3 Taoyuan Village, Nanshan District, Shenzhen, PRC* (深圳市南山區桃源村三期棟裙樓101房屋).
Gross floor area:	17,843.87 sq.m.
Lease Period:	Five years commencing from 1 January 2024 and expiring on 31 December 2028 (both dates inclusive).
Proposed use of the Leased Premises:	As department store of the Group in Nanshan District, Shenzhen, the PRC.
Lease payments:	The lease payments payable by the Lessee under the Lease Agreement is exclusive of service fee, value added tax and utility charges, which shall be borne by the Lessee. No rent-free period is granted under the Lease Agreement. The monthly lease payment for the first rental year is RMB55.0 per sq.m. Thereafter, an annual increment of 3.0% from the previous year will be added to the monthly lease payment for each subsequent rental year. The total amount of lease payment payables under the Lease Agreement has been negotiated on an arm's length basis upon normal commercial terms between the Lessor and the Lessee with reference to the prevailing market price for comparable premises in the vicinity of the Leased Premises and the existing lease payment under the Existing Lease Agreement.

Payment terms:	The monthly lease payment shall be paid by the Lessee by the 20th day of each calendar month. Any overdue lease payment will be subject to a daily penalty, the amount of which is equivalent to 0.5% of the overdue amount.
Deposit:	The deposit payable by the Lessee shall be RMB2,944,240.20, which is equivalent to three months' lease payment for the first rental year.
Termination:	Each party to the Lease Agreement may unilaterally terminate the Lease Agreement if (i) in the case of the Lessor, the Lessee has breached the terms and conditions of the Lease Agreement (including, but not limited to, failure to pay rent for two months, or failure to pay the management fee, utility charges or other related fees exceeding the equivalent of two months' lease payment), in which event the deposit paid shall be forfeited by the Lessor or (ii) in the case of the Lessee, the Lessor has breached the terms and conditions of the Lease Agreement which results in the Leased Premises not being suitable for leasing to the Lessee. In such event, the deposit paid by the Lessee and any pre-payment of lease payment, if any, shall be returned to the Lessee.

REASONS AND BENEFITS FOR ENTERING INTO THE LEASE AGREEMENT

The Group has been leasing the Leased Premises to operate its department store since 2009 under the Existing Lease Agreement, which is due to expire on 31 December 2023. The Directors consider that continuing leasing the Leased Premises will be in the interests of the Company and the Shareholders as a whole as it will preserve the store network, market shares and financial advantages of this department store, which altogether have significantly contributed to the Group's revenue and operating profit, as well as avoiding relocation and refurbishment costs which the Group would otherwise have to incur.

The total amount of lease payments payable under the Lease Agreement has been negotiated on an arm's length basis upon normal commercial terms between the Lessor and the Lessee with reference to the prevailing market price for comparable premises in the vicinity of the Leased Premises and the existing lease payment under the Existing Lease Agreement. The Directors, including the independent non-executive Directors, are of the view that the Lease Agreement has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and that the terms and conditions of the Lease Agreement, including the lease payments, of the Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group is principally engaged in the operation of department stores in the PRC. The Lessee is a wholly-owned subsidiary of the Company and its principal business is the operation of department stores in the PRC.

The Lessor is a limited liability company established in the PRC and is principally engaged in public housing investment, construction and operation in the PRC. It is ultimately wholly-owned by the Shenzhen Municipal People's Government and under the administration of the Shenzhen State-owned Assets Supervision and Administration Commission (Shenzhen SASAC). To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are Independent Third Parties.

RIGHT-OF-USE ASSET

Pursuant to IFRS 16 "Leases", the Group will recognise a right-of-use asset in its financial statements when the Group enters into a lease transaction as the lessee and such transaction will be deemed to be an acquisition of a capital asset for the purpose of the Listing Rules. The value of the right-of-use asset to be recognised by the Group under the Lease Agreement is estimated to be RMB50.5 million, which is calculated in accordance with IFRS 16 "Leases" with reference to the present value of the aggregated lease payments to be made under the Lease Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the transaction contemplated under the Lease Agreement is more than 25% but less than 100%, the transaction contemplated under the 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.

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 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 Lease Agreement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting for approving the Lease Agreement. The Company has received a written approval from Shirble Department Store Limited, one of the controlling Shareholders, holding 1,374,167,500 Shares (representing approximately 55.08% of the total number of Shares in issue as of the date of the written Shareholder's approval and the date of this announcement, respectively) to approve the 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 Lease Agreement and the transaction contemplated thereunder. A circular containing, among other things, further information on the Lease Agreement and the transaction contemplated thereunder is expected to be despatched to the Shareholders within fifteen (15) business days after the publication of this announcement on or before 22 January 2024 in compliance with the requirements under the Listing Rules.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors;
“Company”	Shirble Department Store Holdings (China) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board (stock code: 312);
“Director(s)”	the director(s) of the Company;
“Existing Lease Agreement”	the existing lease agreement dated 8 September 2010 entered into between the Lessee, as the lessee and Shenzhen Housing and Construction Bureau*(深圳市住房和建設局), as the lessor in respect of the rental of the Leased Premises. The lessor of the Leased Premises has been changed to the Lessor pursuant to a tripartite agreement dated 6 February 2018;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“IFRS”	the International Financial Reporting Standards issued by the International Accounting Standards Board;
“Independent Third Party(ies)”	person(s) or company(ies) independent of and not connected (within the meaning of the Listing Rules) with the Company and its connected persons;
“Lease Agreement”	the lease agreement entered into between the Lessee and the Lessor on 29 December 2023 in relation to the lease renewal of the Leased Premises;
“Lease Period”	the duration of the lease under the Lease Agreement, during which the Leased Premises will be leased to the Lessee;
“Leased Premises”	the premises with a gross floor area of 17,843.87 sq.m. to be leased by the Lessee from the Lessor under the Lease Agreement and situated at Podium 101, Phase 3 Taoyuan Village, Nanshan District, Shenzhen, the PRC;

“Lessee”	Shenzhen Shirble Chain Store Limited Liability Company* (深圳歲寶連鎖商業發展有限公司), a wholly-owned subsidiary of the Company;
“Lessor”	Shenzhen Talents Housing Group Company Limited * (深圳市人才安居集團有限公司), a company established in the PRC which is ultimately wholly-owned by the Shenzhen Municipal People’s Government and under the administration of the Shenzhen State-owned Assets Supervision and Administration Commission (Shenzhen SASAC);
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	The People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, The Macau Special Administration Region of The People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of the share(s) of the Company;
“sq.m.”	square metre; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 29 December 2023

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.

** For identification purposes only.*