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## IMPORTANT

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, accountant or other professional adviser.

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

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

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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**

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Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular and a letter from Astrum Capital Management Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 34 of this circular. A notice convening the 2023 EGM to be held at 10/F, The Wave, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Wednesday, 29 March 2023 at 11:00 a.m. is set out on pages 41 and 42 of this circular. Shareholders are advised to read the Notice of EGM and if you are not able to attend the 2023 EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F Central Tower 28 Queen’s Road Central, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the 2023 EGM (i.e. not later than Monday, 27 March 2023 at 11:00 a.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2023 EGM or any adjournment thereof should you so wish.

Hong Kong, 13 March 2023

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	17
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	19
<b>APPENDIX I – GENERAL INFORMATION</b> .....	35
<b>NOTICE OF EGM</b> .....	41
<b>ACCOMPANYING DOCUMENT: FORM OF PROXY</b>	

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## DEFINITIONS

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*In this circular, 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 proposed to be convened and held at 10/F, The Wave, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Wednesday, 29 March 2023 at 11:00 a.m. or any adjournment thereof for the purpose of seeking the approval from the Independent Shareholders on the IEC Supplemental Termination Agreement;
“associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“chief executive”	has the same meaning ascribed to it under the Listing Rules;
“Company”	Shirble Department Store Holdings (China) Limited (歲寶百貨控股(中國)有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 0312);
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“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;

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## DEFINITIONS

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“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;
“IEC Termination Announcement”	the announcement issued by the Company on 30 December 2020 on, inter alia, the IEC Termination Agreement;
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board;
“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 resolution(s) 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), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, 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;

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## DEFINITIONS

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“Independent Shareholders”	the Shareholders who are not required to abstain from voting under the Listing Rules on the resolution(s) approving the IEC Supplemental Termination Agreement and the transactions contemplated thereunder to be tabled at the 2023 EGM;
“Latest Practicable Date”	8 March 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“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;
“Notice of EGM”	the notice convening the 2023 EGM as set out on pages 41 and 42 of this circular;
“PRC”	The People’s Republic of China which for the purpose of this circular 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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company;

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## DEFINITIONS

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“Shareholders”	the duly registered holder(s) of the Share(s) from time to time;
“Shirble BVI”	Shirble Department Store Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mrs. Yang;
“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 is 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; and
“%”	per cent.

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

*For the purpose of this circular, the exchange rate of RMB1.0 = HK\$1.1195 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been or may be exchanged, at this or any other rates.*

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## LETTER FROM THE BOARD

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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)**

*Executive Director:*

Mr. YANG Ti Wei (*Deputy Chairman  
and Chief Executive Officer*)

*Non-executive Director:*

Ms. HUANG Xue Rong (*Chairlady*)

*Independent non-executive Directors:*

Mr. CHEN Fengliang

Mr. JIANG Hongkai

Mr. TSANG Wah Kwong

*Registered office:*

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

*Head office:*

7/F, Sen Tou Zhi Gu Building,  
Block 412 Bagua 4th Road,  
Futian District,  
Shenzhen  
PRC

*Principal place of business*

*in Hong Kong:*

Unit C2, 30th Floor, T G Place  
10 Shing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

13 March 2023

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## LETTER FROM THE BOARD

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*To the Shareholders*

Dear Sir or Madam

### CONNECTED TRANSACTION IEC SUPPLEMENTAL TERMINATION AGREEMENT

#### INTRODUCTION

The Board refers to the First Announcement, the IEC Termination Announcement and the announcement of the Company dated 30 December 2022 in relation to, among others, the IEC Supplemental Termination Agreement.

At the 2019 EGM, the IEC Project Consulting Service Agreement has been approved by the Independent Shareholders. During the period between 8 April 2019 and 30 December 2020, the Group recognised income from the provision of property development consulting service 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 IEC Termination Announcement, and SRF has agreed that the outstanding amount of RMB422.1 million (equivalent to HK\$472.5 million) would continue to be payable by it. During the period between the date of the IEC Termination Agreement and the Latest Practicable Date, SRF has settled an amount of RMB74.7 million (equivalent to HK\$83.6 million). The outstanding amount as of the Latest Practicable Date was RMB347.4 million (equivalent to HK\$388.9 million).

#### Damages under the IEC Project Consulting Service Agreement

As disclosed in the First Announcement, in the event there is delay in the payment of the service fee by SRF for the IEC Project, SRF shall pay Shirble Management Consultant damages of 0.1% of the then outstanding amount for every day for as long as the breach subsists. The PRC legal advisers to the Company have confirmed that SRF only failed in making payments during the period from October 2020 to December 2020, in which the amount of damages of 0.1% under the IEC Project Consulting Service Agreement was chargeable. Hence, the amount of damages was RMB1.05 million. The payment obligation of the damages has ceased from the date of the IEC Termination Agreement, as confirmed by the PRC legal advisers to the Company.

The Directors confirm that the amount of RMB347.4 million does not include any amount of damages of 0.1% of the outstanding amount. As of 30 December 2020, being the date of the IEC Termination Agreement, the outstanding amount was RMB422.1 million which represented the remaining balance of the service fees and related expenses payable by SRF to the Group. During the period between 31 December 2020 and 31 December 2022, SRF has settled an amount of RMB74.7 million. Based on the advice given by the PRC legal advisers to the Company, the amount of damages of RMB1.05 million has been fully settled by SRF. Hence, there was no waiver which constitutes a connected transaction under Chapter 14A of the Listing Rules granted by the Company.



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## LETTER FROM THE BOARD

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### Preliminary timetable for the IEC Project

At the time of entering the IEC Project Consultation Agreement, the completion date of the IEC Project was expected to be in December 2022. Hence, the Group expected to receive service fees of not more than RMB90 million in 2019, RMB410 million in 2020, RMB120 million in 2021 and RMB380 million in 2022 based on the initial construction plans. During the year ended 31 December 2019 and 2020, the Group recognized RMB442.4 million and RMB198.2 million as revenue, respectively. At the time of entering the IEC Termination Agreement, the IEC Project was expected to be completed within a period of three years which was determined by SRF with reference to the latest development of the real property sector in the PRC. The payment schedule was RMB194.2 million in 2022, RMB180.0 million in 2023 and RMB47.9 million in 2024.

Throughout the last two years, however, the PRC real property sector has been severely affected by the COVID-19 pandemic as well as a series of contracting monetary policies implemented by the PRC government, such as tightened lending standards, increased restrictions on property purchase and the implementation of property taxes. In particular, the “*Three red lines*” financial regulatory guidelines introduced in China in August 2020 on the ratio of debt to cash, equity and assets have resulted in a series of liquidity crises in the real property sector in the PRC throughout the two years ended 31 December 2022. Separately, the demand for real properties in the PRC has been sluggish for several years because of the economic downturn and stringent pandemic control measures. Like most of the property development projects in Southern China, the construction progress of the IEC Project has been slackened because of the weak demand and 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 because of the sluggish market conditions. Against this background, SRF has indicated to the Group that it would like to extend the repayment period.

According to SRF, the IEC Project consists of four blocks of building, with a total floor area of 273,200 sq.m. SRF has informed the Directors that the topping-out of the principal structure of Blocks A and B of the IEC Project has been completed in June 2021, and the same for Block C has also been completed in December 2021. SRF has informed the Directors that the topping-out of the principal structure for Block D is expected to be completed in December 2023.

SRF further estimates that the completion acceptance date for Blocks A and B would be before the end of 2023 and for Blocks C and D before the end of 2024, following which SRF would be in a better position to sell the completed property units.

The purpose of this circular is to provide you with (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) the Notice of EGM.

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## LETTER FROM THE BOARD

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### 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:	RMB347.4 million (equivalent to HK\$388.9 million)
Repayment period:	SRF shall repay the aggregate of RMB347.4 million (equivalent to HK\$388.9 million) to Shirble Management Consultant in the following manner: <ul style="list-style-type: none"><li>(i) RMB119.5 million (equivalent to HK\$133.8 million) on or before 31 December 2025;</li><li>(ii) RMB180.0 million (equivalent to HK\$201.5 million) on or before 31 December 2026; and</li><li>(iii) RMB47.9 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 the PRC (“ <b>CCB 3Y RMB Benchmark Rate</b> ”) from time to time. As of the Latest Practicable Date, the prevailing CCB 3Y RMB Benchmark Rate was 2.6% per annum.
Other terms and conditions:	<p>The performance of the IEC Supplemental Termination Agreement is conditional upon the approval by the Independent Shareholders at the 2023 EGM.</p> <p>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.</p>
Governing law:	The laws of the PRC.

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## LETTER FROM THE BOARD

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### BASIS OF DETERMINING THE INTEREST RATE AND THE EXTENSION PERIOD

The Directors confirm that as the principal business activities of the Group are in the PRC and most of the Group's cash balance is maintained in the accounts of the Company's subsidiaries in the PRC, and any outstanding amount repaid by SRF to Shirble Management Consultant will have to be maintained in the PRC bank accounts of the Company's subsidiaries in the PRC for general working capital purpose. Despite the Company's relentless effort in negotiating for a higher interest rate with SRF, having considered the facts that (a) as the principal business activities of the Group are in the PRC, the majority of the Group's cash balance is maintained in the PRC bank accounts of the Company's subsidiaries in the PRC; (b) the outstanding amount to be repaid by SRF will be used for general working capital purpose of the Group; and (c) as the China Construction Bank is one of the PRC principal bankers of the Group, the Directors consider that it is reasonable to use the prevailing CCB 3Y RMB Benchmark Rate from time to time as the interest rate for the outstanding amount.

The Directors expect that the total interest income to be received from the extension during the period commencing from 1 January 2023 to 31 December 2027 amounts to RMB34.3 million, which represents 15% of the Group's total revenue in 2021. The Directors' view is that the entering of the IEC Supplemental Termination Agreement will provide an interest income to the Group for the extension period which is in the interest of the Company and the Shareholders as a whole.

Under the IEC Supplemental Termination Agreement, the repayment period of the outstanding amount will be extended by three years, in which RMB119.5 million, RMB180.0 million and RMB47.9 million are expected to be payable by SRF to Shirble Management Consultant during the three years ending 31 December 2027. The extension period has been determined with reference to the fact that the construction progress of the IEC Project has been slackened and the sales of property comprising the IEC Project are significantly less than the original estimates due to the outbreak of the COVID-19 pandemic in the PRC and a series of contracting monetary policies implemented by the PRC government. The Directors have also considered the latest development and the sale plans of the IEC Project. In this regard, the development of the IEC Project provided by SRF are expected to be resumed gradually during the second quarter of 2023 and the sales of the IEC Project are expected to be gradually boosted up from the third quarter of 2023 after obtaining the completion certificate for certain parts of the IEC Project. In addition, the Directors understand that, in November 2022, SRF signed a fund monitoring agreement (the "**Fund Monitoring Agreement**") with the Guangdong Province Shenzhen Futian Notary Office\* (廣東省深圳市福田公證處), Shenzhen Futian District Housing and Construction Bureau\* (深圳市福田區住房和建設局) and the financial institution which held the pledged shares of SRF. Pursuant to which a separate bank account has been opened by SRF for the sole purpose of monitoring the settlement of funding relating to the IEC Project. Under the Fund Monitoring Agreement, priority of repayment is given to construction workers' wages, settlement of construction costs and government taxes and related expenses before the settlement of SRF's management and operating expenses. Hence, the Directors expect that the extension of the repayment period for three years with the first repayment starting in 2025 will provide SRF with sufficient time to complete the construction and sales of the IEC Project for the repayment of the outstanding amount.

Considering the foregoing, the Directors consider that the extension period as well as the adoption of a three-year rate for all settlements are reasonable to allow SRF to have sufficient time to complete the development of the IEC Project and generate sufficient cash from the sales of the IEC Project for the repayment of the outstanding amount.

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## LETTER FROM THE BOARD

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### 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 is unlikely to be disposed of 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.

Although SRF has settled an amount of RMB74.7 million during the period between 31 December 2020 and 30 December 2022, the Directors (including the independent non-executive Directors), based upon the review of the financial information provided by SRF which includes, but without limitation to, revenue, assets and liabilities, consider that SRF does not have sufficient financial resources to repay the entire outstanding amount set forth in the IEC Termination Agreement. The Directors (including the independent non-executive Directors) have accepted that whilst the current financial position of the Group is not entirely satisfactory, the entering into the IEC Supplemental Termination Agreement would not result in any further loss of entitlement on the part of the Group. It will nevertheless allow the Group to recover the entire outstanding amount with certainty in the rescheduled settlement timetable. On this basis, the Directors (including the independent non-executive Directors), based upon the review of the financial information provided by SRF aforementioned, consider that the entering into the IEC Supplemental Termination Agreement has been in interest of the Company and the Shareholders as a whole.

The Directors understand that SRF's view of the "acceptable selling prices" of the IEC Project would be not less than RMB74,000 per sq. m for Blocks A and B and not less than 60,000 per sq. m for Blocks C and D. On this basis, the amount of the gross proceeds that might be received by SRF from the disposal of the unsold property units of the IEC Project would be not less than RMB10.9 billion. The historical average selling prices of the IEC Project were around RMB85,000 per sq. m for Blocks A and B and RMB68,000 per sq. m for Block C according to SRF. Based on the valuation conducted by an independent valuer in February 2023, such estimated price levels are generally consistent with prevailing market prices in the locations close to the IEC Project in Shenzhen, the PRC.

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## LETTER FROM THE BOARD

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The Directors have carefully and thoroughly assessed the following factors on whether and how the IEC Project could be disposed of at the “acceptable selling prices”:

1. Market conditions

(a) *Economic growth*

China’s economy is projected to grow moderately at a growth rate of around 4.8% in 2023. This is expected to support the increases in the demand for real property and the property prices.

(b) *Government policies*

The PRC government has implemented a series of incentive schemes aimed at boosting the property market and encouraging investment in real estate. Some of the key incentive schemes include:

(i) Low interest rates

The central bank in the PRC has maintained relatively low interest rates, making it easier for people to purchase homes and contributing to the healthy development of the property market. For example, The People’s Bank of China and the China Banking and Insurance Regulatory Commission announced in early January 2023 that the housing loan interest rate in provinces and cities would be lowered following the establishment of the first set of dynamic adjustment mechanism for housing loan interest rate policies.

(ii) Relaxed lending requirements

Banks and other financial institutions have been encouraged to provide more loans for real property investments. For example, banks and other financial institutions have been required to provide loans to real estate developers stably, especially to abide by the principle of “state-owned, private and other real estate enterprises be treated equally” (「對國有、民營等各類房地產企業一視同仁」). Development and policy banks such as China Development Bank and Agricultural Development Bank of China are encouraged to provide real estate companies with special loans for “guaranteed delivery” (「保交樓」). The borrowers are required to be reviewed and put on record by the relevant supervisory department that the funds can only be used for residential projects that were sold but are overdue and difficult to deliver for the purpose of ensuring their delivery.

Overall, these incentive schemes have helped to boost the Chinese property market and encourage investment in real estate.

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## LETTER FROM THE BOARD

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### 2. Location

The location of the property also affects its value, and properties in prime locations are more likely to be disposed of at the reasonable prices. The IEC Project is located at the intersection between Shangbu Road and Nigang Road, the Futian District, Shenzhen, where the Directors believe that it is one of the prime locations in Shenzhen.

### 3. Condition of the property

SRF estimates the completion acceptance date of IEC project are that (a) for Blocks A and B would be before the end of 2023 and (b) for Blocks C and D before the end of 2024, following which SRF would be in a better position to sell the completed property units.

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 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, and 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 RMB347.4 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.

The Directors understand that SRF has repaid the loan principal up to June 2022 and interest up to December 2021 to the financial institution which held the pledged shares of SRF. In June 2022, SRF signed a supplementary loan agreement with the financial institution regarding the delay in the repayment of loan principal and interest. Pursuant to the supplementary agreement, the repayment of loan principal and interest was delayed to January 2023 and June 2023, respectively. The Directors are given to understand that, in January 2023, SRF has entered into a supplementary loan agreement with the financial institution regarding the further delay in the repayment of loan principal and interest. Pursuant to the latest supplementary agreement, the repayment of loan principal and interest is expected to be further delayed to January 2024.

The Directors further understand that SRF is not in breach of any loan arrangement and agreement as SRF has already agreed and signed the supplemental loan agreements with the financial institution to extend the repayment.

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## LETTER FROM THE BOARD

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The Directors believe that the Group would be able to receive payments from SRF as an unsecured creditor because of the following considerations:

- (a) The Directors have assessed SRF's financial statements, including its revenue, assets, and liabilities, and the valuation conducted by an independent valuer, and got an understanding that the net asset value is positive and sufficient for the repayment if the asset could be disposed of at the target price.
- (b) The Directors have reviewed the latest development and sale plans of the IEC Project provided by SRF, and noticed that the development of the IEC Project is expected to resume gradually in the second quarter of 2023 and the sales of IEC Project are expected to be gradually boosted up from the third quarter of 2023 after obtaining the completion certificate for certain parts of the IEC Project.

The Board consider that no further collateral and/or guarantee from SRF or its beneficial owners is required due to the following factors:

- (a) SRF has shown a good reputation in its efforts to maintain a positive repayment record in spite of the difficult operating environments it has experienced. During the period from 8 April 2019 to 30 December 2020 (i.e. the date of the IEC Termination Agreement), the Group recognised revenue from the provision of property development consulting services under the IEC Project Consulting Service Agreement in the total amount of approximately RMB620.6 million, SRF has repaid RMB198.5 million during the period from 8 April 2019 to 30 December 2020, and has further settled RMB74.7 million during the period from 31 December 2020 to 30 December 2022. The outstanding amount is therefore RMB347.4 million.
- (b) The Board has assessed SRF's financial statements, including its revenue, assets, and liabilities and the valuation conducted by an independent valuer and reviewed the latest development and sale plans of the IEC Project provided by SRF.
- (c) 99% of SRF's shares have been pledged to the financial institution as security for the loans provided since 2016 and as such, no further collateral can be provided by SRF.
- (d) As the transaction contemplated under the IEC Project Consulting Service Agreement is not of a financing nature, requiring a provision of collateral and/or guarantee from the beneficial owners of SRF would not be appropriate or reasonable in the circumstances.

Taking into consideration the above, the Board (including all the independent non-executive Directors) 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.

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## LETTER FROM THE BOARD

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### 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 principally 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 Latest Practicable Date, Mrs. Yang and Mrs. Yang's Controlled Companies held the entire equity interest in SRF. SRF is therefore a connected person 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 constitutes a "transaction" between members of the Group and SRF which is a connected person 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. The Notice of EGM is set out on pages 41 to 42 of this circular. The 2023 EGM will be held at 10/F, The Wave, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Wednesday, 29 March 2023 at 11:00 a.m., for the purpose of seeking the approval from the Independent Shareholders on the IEC Supplemental Termination Agreement. Shareholders are advised to read the Notice of EGM and if you are not able to attend the 2023 EGM or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the 2023 EGM (i.e. not later than Monday, 27 March 2023 at 11:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2023 EGM or any adjournment thereof should you so wish.



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## LETTER FROM THE BOARD

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Any connected person of the Company with a material interest in the IEC Supplemental Termination Agreement and the transactions contemplated thereunder, and any Shareholder with a material interest in such transactions and its associates, shall not vote on the resolution(s) in relation thereto. As of the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Shirble BVI; (ii) Xiang Rong Investment Limited; (iii) Mrs. Yang; and (iv) Mr. Yang Ti Wei and their respective associates are required to abstain from voting on the relevant resolution(s) at the 2023 EGM. Further details on the respective percentage of shareholding of the Company held by (i) Shirble BVI; (ii) Xiang Rong Investment Limited; (iii) Mrs. Yang; and (iv) Mr. Yang Ti Wei and their respective associates who are required to abstain from voting are set forth in the section headed "2. DISCLOSURE OF INTERESTS" in Appendix I to this circular.

### VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the meeting will therefore demand a poll for the ordinary resolution(s) put to the vote at the 2023 EGM pursuant to Article 66 of the Memorandum and Articles of Association of the Company and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RECOMMENDATION OF THE BOARD

Mrs. Yang and Mr. Yang Ti Wei have abstained from voting on the resolution(s) in relation to the IEC Supplemental Termination Agreement and the transactions contemplated thereunder proposed to the Board to avoid any conflict of interests. Save as disclosed above, none of the Directors has a material interest in the IEC Supplemental Termination Agreement and the transactions contemplated thereunder. Having taken into account the factors as disclosed in the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO THE IEC SUPPLEMENTAL TERMINATION AGREEMENT" above, the Directors (including all the independent non-executive Directors) consider that the terms of the IEC Supplemental Termination Agreement and the transactions contemplated under are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Board (including all the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the 2023 EGM to approve the IEC Supplemental Termination Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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.

Your attention is drawn to the letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders set out on pages 17 to 18 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which is set out on pages 19 to 34 of this circular containing their advice and recommendation to the Independent Board Committee and the Independent Shareholders regarding the terms of the IEC Supplemental Termination Agreement and the transactions contemplated thereunder as well as the principal factors and reasons taken into consideration in arriving at their advice.

### ADDITIONAL INFORMATION

Your attention is drawn to the general information as set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Shirble Department Store Holdings (China) Limited**  
**YANG Ti Wei**  
*Deputy Chairman, Chief Executive Officer and  
Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

13 March 2023

*To the Independent Shareholders,*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 13 March 2023 (the “**Circular**”) despatched to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined or adopted in the Circular shall have the same respective meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders as to whether the IEC Supplemental Termination Agreement and the transactions contemplated thereunder are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee appointed Astrum Capital Management Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the IEC Supplemental Termination Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the “Letter from the Board” as set out on pages 5 to 16 of the Circular and the “Letter from the Independent Financial Adviser” as set out on pages 19 to 34 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and advice, we concur with the opinion of the Independent Financial Adviser that the terms of the IEC Supplemental Termination Agreement and the transactions contemplated thereunder are on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) (the text of which is contained in the Notice of EGM) to be proposed at the 2023 EGM to approve the IEC Supplemental Termination Agreement and the transactions contemplated thereunder.

Yours faithfully,  
Independent Board Committee  
**Shirble Department Store Holdings (China) Limited**

**CHEN Fengliang**

**JIANG Hongkai**  
*Independent Non-executive Directors*

**TSANG Wah Kwong**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Room 2704, 27/F, Tower 1, Admiralty Centre,  
18 Harcourt Road, Admiralty, Hong Kong

13 March 2023

To the Independent Board Committee and  
the Independent Shareholders of  
**Shirble Department Store Holdings (China) Limited**

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Shirble Department Store Holdings (China) Limited (the “**Company**”) in relation to the proposed extension of the repayment period for the outstanding amount payable by 深圳市晟潤豐投資發展有限公司 (Shenzhen Shengrunfeng Investment & Development Co., Ltd.\*, “**SRF**”) to Shenzhen Shirble Enterprise Management Co., Ltd. (深圳市歲寶企業管理有限公司, “**Shirble Management Consultant**”) pursuant to the supplemental agreement (the “**IEC Supplemental Termination Agreement**”) entered into between Shirble Management Consultant and SRF dated 30 December 2022 (the “**Extension**”). The details of the Extension are disclosed in the announcement of the Company dated 30 December 2022 (the “**Announcement**”) and in the letter from the Board (the “**Letter from the Board**”) set out on pages 5 to 16 of the circular of the Company dated 13 March 2023 (the “**Circular**”) to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 8 April 2019, Shirble Management Consultant entered into the IEC Project Consulting Service Agreement with SRF, pursuant to which Shirble Management Consultant has agreed to provide certain consulting services to SRF in respect of the IEC Project for a term commencing from 8 April 2019 and ending on 30 December 2022. The IEC Project Consulting Service Agreement and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the 2019 EGM. During the period from 8 April 2019 to 30 December 2020 (i.e. the date of the IEC Termination Agreement (as details below)), the Group recognised revenue from the provision of property development consulting services under the IEC Project Consulting Service Agreement in the total amount of approximately RMB620.6 million (equivalent to approximately HK\$694.8 million). However, the PRC real property sector has been severely affected due to the outbreak of the COVID-19 pandemic, and the construction progress and the sale plan of the IEC Project have been adversely affected. Having negotiated with SRF on an arm's length basis and considered the interest and benefit of the Group, on 30 December 2020, Shirble Management Consultant entered into the IEC Termination Agreement with SRF for the purpose of terminating the IEC Project Consulting Service Agreement from 30 December 2020. SRF agreed that the outstanding amount of approximately RMB422.1 million (equivalent to approximately HK\$472.5 million) would continue to be payable by it to the Group. During the period between the date of the IEC Termination Agreement and the Latest Practicable Date, SRF has settled an amount of RMB74.7 million (equivalent to approximately HK\$83.6 million). The outstanding amount as at the Latest Practicable Date was therefore approximately RMB347.4 million (equivalent to approximately HK\$388.9 million).

Throughout the last two years, however, the PRC real property sector has been severely affected by COVID-19 pandemic as well as a series of contracting monetary policies promulgated by the PRC Government, such as tightening lending standards, increasing restrictions on property purchase and the implementation of property taxes. In particular, the "Three red lines" financial regulatory guidelines introduced in the PRC in August 2020 on the ratio of debt to cash, equity and assets have resulted in a series of liquidity crises in the real property sector in the PRC throughout the two years ended 31 December 2022. Separately, the demand for real property in the PRC has been sluggish for several years because of the economic downturn and stringent pandemic control measures. Like most of the property development projects in Southern China, the construction progress of the IEC Project has been slackened because of the weak demand and lack of funding support provided by financial institutions in the PRC. The Directors were given to understand that the sales of the property comprising the IEC Project are significantly less than the original estimates because of the sluggish market conditions. Against this background, SRF has indicated to the Group that it would like to extend the repayment period of the outstanding amount. In this regard, on 30 December 2022, Shirble Management Consultant and SRF entered into the IEC Supplemental Termination Agreement to amend certain terms of the IEC Termination Agreement (in particular, the payment terms).

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 transactions contemplated under the IEC Supplemental Termination Agreement shall constitute "transactions" between members of the Group and SRF, which is a connected person (as such term is defined under the Listing Rules) of the Company. Hence, based on the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules, the IEC Supplemental Termination Agreement and the transactions contemplated thereunder constitute connected transactions for the Company and shall be subject to the reporting, announcement, annual review and approval by the Independent Shareholders at general meeting.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The 2023 EGM will be held for the Independent Shareholders to consider and, if thought fit, to approve the IEC Supplemental Termination Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mrs. Yang, a non-executive director and chairlady of the Board, and Mr. Yang Ti Wei, an executive Director, Deputy Chairman and Chief Executive Officer of the Company (“**Mr. Yang**”) were beneficially interested in an aggregate of 1,384,981,500 Shares, representing approximately 55.51% of the total number of Shares in issue, and will abstain from voting on the resolution to approve the IEC Supplemental Termination Agreement and the transactions contemplated thereunder at the 2023 EGM. Save as aforementioned, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no other Shareholders are materially interested in the Extension who are required to abstain from voting at the 2023 EGM on the resolution approving the IEC Supplemental Termination Agreement and the transactions contemplated thereunder.

Mrs. Yang and Mr. Yang have abstained from voting on the Board resolutions considering the IEC Supplemental Termination Agreement and the transactions contemplated thereunder. Save as stated above, none of the other Directors have a material interest in the IEC Supplemental Termination Agreement and the transactions contemplated thereunder, nor are they required to abstain from voting on such Board resolution.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chen Fengliang, Mr. Jiang Hongkai and Mr. Tsang Wah Kwong, has been established to advise the Independent Shareholders as to whether the terms of the IEC Supplemental Termination Agreement are fair and reasonable and the Extension is in the interests of the Company and the Shareholders as a whole, and as to voting in respect thereof at the 2023 EGM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, Shirble Management Consultant, Mrs. Yang, Mr. Yang, SRF and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, we were not aware of any relationships between Astrum Capital Management Limited and the Company, and there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Extension, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Extension.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the First Announcement, the Announcement, the Circular, the IEC Project Consulting Service Agreement, the IEC Termination Agreement, the IEC Supplemental Termination Agreement, the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussion with the Management regarding the Extension, the businesses and future prospects of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the IEC Supplemental Termination Agreement and to justify our reliance on the information provided so as to provide a reasonable basis of opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Extension. Except for the inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

*Unless otherwise specified in this letter, amounts denominated in RMB have been converted to HK\$ at a rate of RMB1.0000 to HK\$1.1195 for illustration purpose.*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the entering into of the IEC Supplemental Termination Agreement, we have taken into account the following principal factors and reasons:

#### I. Information of the Group

##### A. Principal business of the Group

According to the 2021 Annual Report, the Company is an investment holding company and the Group is principally engaged in department store operations, property development and provision of property development consulting services in the PRC.

Since 2018, the Group has been working to transform its department store premises into “Shirble Plaza”, a one-stop shopping mall concept, to meet the demand for the middle-class population in the PRC for high-quality food, merchandise and services. The Group continues to upgrade and transform its traditional department store business into an integrated retail business model for the purpose of improving the customers’ shopping experience to grow the business of the Group. According to the 2022 Interim Report, the Group owned and/or operated 15 department stores (10 of which are in Shenzhen, three in Shanwei, one in Meizhou City and one in Changsha), with a total gross floor area of 278,447 square meters.

On the other hand, the Group tapped into the property development and project management business (the “**Property Business**”) in 2018. On 8 April 2019, Shirble Management Consultant entered into the IEC Project Consulting Service Agreement with SRF and an integrated consulting service agreement with 深圳市禾興隆實業有限公司 (Shenzhen Hexinglong Industrial Co., Ltd.\*, “**HXL**”, the majority of its board of directors is controlled by SRF) (the “**PZH Project Consulting Service Agreement**”, together with the IEC Project Consulting Service Agreement, collectively referred to as the “**Consulting Service Agreements**”) for the provision of certain consulting services to SRF and HXL in respect of the IEC Project and the proposed property development project situated at Baoan District, Shenzhen, the PRC (the “**PZH Project**”), respectively, for a term commencing from 8 April 2019 and ending on 30 December 2022. However, on 30 December 2020, Shirble Management Consultant entered into (i) the IEC Termination Agreement with SRF for the purpose of terminating the IEC Project Consulting Service Agreement; and (ii) the termination agreement (the “**PZH Termination Agreement**”, together with the ICE Termination Agreement, collectively referred to as the “**Termination Agreements**”) with HXL for the purpose of terminating the PZH Project Consulting Service Agreement. Please refer to the section headed “*II. Background of, reasons for and benefits of the entering into of the IEC Supplemental Termination Agreement*” below for further details of the Consulting Service Agreements and the Termination Agreements. Thereafter, no revenue was generated for the Group as there has been no further provision of integrated consulting services.

In addition, Shirble Management Consultant acquired a parcel of land in Jinwan District, Zhuhai, the PRC with approximately 16,074.21 square meters (the “**Land**”) through the acquisition of the entire equity interest in a real estate development company conducted in November 2019. As at the Latest Practicable Date, the Land has been developed into a two-building complex (the “**Zhuhai Complex**”) and the completion certificate was obtained by the Group in 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### B. Financial information of the Group

The following table sets out (i) the audited financial information of the Group for the two financial years ended 31 December 2020 and 31 December 2021 (“FY2020” and “FY2021”, respectively) as extracted from the 2021 Annual Report; and (ii) the unaudited financial information of the Group for the six months ended 30 June 2021 and 30 June 2022 (“1H2021” and “1H2022”, respectively) as extracted from the 2022 Interim Report:

**Table 1: Financial information of the Group**

	<b>FY2020</b>	<b>FY2021</b>	<b>1H2021</b>	<b>1H2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	481,077	230,118	115,951	90,122
– Department store business	254,200	230,118	115,951	90,122
– Property Business	226,877	–	–	–
(Loss) before income tax	(43,015)	(475,349)	(213,683)	(137,566)
(Loss) for the year/period attributable to owners of the Company	(75,116)	(438,043)	(215,721)	(129,432)
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>	<b>30 June</b>	<b>30 June</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Total assets</b>	<b>4,248,525</b>	<b>3,971,288</b>	<b>3,723,456</b>	<b>3,723,456</b>
Non-current assets	3,596,637	3,193,438	2,992,174	2,992,174
Current assets	651,888	777,850	731,282	731,282
<b>Total (liabilities)</b>	<b>(2,129,709)</b>	<b>(2,293,414)</b>	<b>(2,177,442)</b>	<b>(2,177,442)</b>
Non-current (liabilities)	(1,487,665)	(1,658,097)	(1,588,603)	(1,588,603)
Current (liabilities)	(642,044)	(635,317)	(588,839)	(588,839)
<b>Total equity attributable to the owners of the Company</b>	<b>2,106,261</b>	<b>1,669,346</b>	<b>1,537,716</b>	<b>1,537,716</b>

Sources: the 2021 Annual Report and the 2022 Interim Report

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(i) For the year ended 31 December 2021 (i.e. FY2021)**

In FY2021, the Group recorded revenue of approximately RMB230.1 million, representing a decrease of approximately 52.2% as compared to approximately RMB481.1 million in FY2020. Such decrease was mainly due to the fact that no revenue was derived from the provision of property development consulting service in FY2021 after the entering into of the Termination Agreements on 30 December 2020 (FY2020: approximately RMB226.9 million).

The Group recorded loss attributable to owners of the Company of approximately RMB438.0 million in FY2021, as compared to loss of approximately RMB75.1 million in FY2020. Such deterioration was mainly attributable to (i) the decrease in revenue of RMB251.0 million as mentioned above; (ii) the increase in fair value loss on financial assets at fair value through profit and loss (“FVPL”) of approximately RMB93.0 million; (iii) the increase in fair value loss on investment properties of approximately RMB66.7 million; and (iv) the recognition of provision of impairment for properties held for sale of approximately RMB34.6 million (FY2020: nil), which was partially offset by the decrease in employee benefit expenses of approximately RMB47.2 million.

As at 31 December 2021, the Group’s total assets and total liabilities amounted to approximately RMB3,971.3 million (31 December 2020: approximately RMB4,248.5 million) and approximately RMB2,293.4 million (31 December 2020: approximately RMB2,129.7 million), respectively. Equity attributable to owners of the Company decreased from approximately RMB2,106.3 million as at 31 December 2020 to approximately RMB1,669.3 million as at 31 December 2021. Such decrease was primarily due to the loss attributable to owners of the Company of approximately RMB438.0 million recorded in FY2021.

**(ii) For the six months ended 30 June 2022 (i.e. 1H2022)**

In 1H2022, the department store business remained as the sole revenue driver of the Group. The Group recorded revenue of approximately RMB90.1 million in 1H2022, representing a decrease of approximately 22.3% as compared to approximately RMB116.0 million in 1H2021. As disclosed in the 2022 Interim Report, such decrease was mainly attributable to the decrease in rental income of the Group’s department store business from approximately RMB108.0 million in 1H2021 to approximately RMB86.8 million in 1H2022, which was, in turn, attributable to the rent concession offered to certain severely affected tenants and an increase in the vacancy rate of department stores as a result of the tightening of prevention and control measures due to the rebound of the COVID-19 pandemic in the PRC.

Notwithstanding the decrease in revenue, loss attributable to owners of the Company decreased from approximately RMB215.7 million for 1H2021 to approximately RMB129.4 million for 1H2022. Such improvement was mainly attributable to (i) the recognition of fair value gain on financial assets at FVPL of approximately RMB2.0 million in 1H2022 (1H2021: loss of approximately RMB115.9 million); and (ii) the decrease in employee benefit expenses by approximately RMB21.3 million, which was partially offset by (i) the increase in fair value loss on investment properties by approximately RMB39.7 million; and (ii) the decrease in revenue of approximately RMB25.8 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 30 June 2022, the Group's total assets and total liabilities amounted to approximately RMB3,723.5 million (31 December 2021: approximately RMB3,971.3 million) and approximately RMB2,177.4 million (31 December 2021: approximately RMB2,293.4 million), respectively. Equity attributable to the owners of the Company decreased slightly from approximately RMB1,669.3 million as at 31 December 2021 to approximately RMB1,537.7 million as at 30 June 2022. Such decrease was primarily due to the loss attributable to owners of the Company of approximately RMB129.4 million recorded in 1H2022.

### **II. Background of, reasons for and benefits of the entering into of the IEC Supplemental Termination Agreement**

According to the 2021 Annual Report, the Company is an investment holding company and the Group is principally engaged in department store operations, property development and provision of property development consulting services in the PRC.

As mentioned in the circular of the Company dated 21 May 2019 (the "2019 Circular"), on 8 April 2019, Shirble Management Consultant entered into the IEC Project Consulting Service Agreement and the PZH Project Consulting Service Agreement with SRF and HXL, respectively. Pursuant to the Consulting Service Agreements, Shirble Management Consultant has agreed to provide certain consulting services to SRF and HXL in respect of the IEC Project and the PZH Project, respectively, for a term commencing from 8 April 2019 and ending on 30 December 2022. The service fee under the Consulting Service Agreements was arrived at after arm's length negotiations between parties to the agreements and on normal commercial terms or better after taking into account the market rate of the project management services providers providing similar services as well as their basis of charging such project management fee, and shall be satisfied in cash in the following manners: (a) RMB10,000,000 shall be payable by SRF, or RMB5,000,000 shall be payable by HXL, to Shirble Management Consultant in each month as service fee; (b) net of the aggregate amount of the service fee paid under the foregoing item (a), RMB500,000,000 (being 50% of the total service fee calculated based on the IEC Project maximum investment amount) shall be payable by SRF, or RMB60,000,000 (being 50% of the total service fee calculated based on the PZH Project maximum investment amount) shall be payable by HXL, to Shirble Management Consultant upon the topping-out of the principal structure of the IEC Project or the PZH Project, respectively; and (c) all remaining service fee shall be payable by SRF and HXL to Shirble Management Consultant upon the completion acceptance of the IEC Project or the PZH Project, respectively. The Consulting Service Agreements and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the 2019 EGM. Please refer to the 2019 Circular for further details of the Consulting Service Agreements. During the period from 8 April 2019 to 30 December 2020 (i.e. the date of the Termination Agreements), the Group recognised revenue from the provision of property development consulting services under the IEC Project Consulting Service Agreement and the PZH Project Consulting Service Agreement in the total amount of approximately RMB620.6 million (equivalent to approximately HK\$694.8 million) and approximately RMB100.1 million (equivalent to approximately HK\$112.1 million), respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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However, the COVID-19 pandemic has a profound impact on the global business and economic outlook at large. As disclosed in the IEC Termination Announcement, the Company was advised by SRF and HXL that the property market in the PRC has been affected by the outbreak of the COVID-19 pandemic and that the development and pre-sale period of the IEC Project and the PZH Project would have been extended. Having negotiated with SRF and HXL on an arm's length basis and considered the interest and benefit of the Group, on 30 December 2020, Shirble Management Consultant entered into the IEC Termination Agreement and the PZH Termination Agreement with SRF and HXL, respectively, for the purpose of terminating the Consulting Service Agreements effective from 30 December 2020. The outstanding service fees and related expenses payable to the Group of approximately RMB422.1 million and approximately RMB25.8 million for the period from 8 April 2019 and up to 30 December 2020 would continue to be payable by SRF and HXL in accordance with the terms of the Termination Agreements as detailed below:

*In respect of the IEC Termination Agreement:*

SRF shall repay the aggregate of approximately RMB422.1 million to Shirble Management Consultant in the following manners:

- (i) approximately RMB194.2 million on or before 31 December 2022;
- (ii) approximately RMB180.0 million on or before 31 December 2023; and
- (iii) approximately RMB47.9 million on or before 31 December 2024.

*In respect of the PZH Termination Agreement:*

HXL shall repay the aggregate of RMB25.8 million to Shirble Management Consultant in the following manners:

- (i) approximately RMB20.0 million on or before 31 December 2021; and
- (ii) approximately RMB5.8 million on or before 31 December 2022.

As advised by the Management, the aforementioned payment terms were determined after arm's length negotiation between the parties to the Termination Agreements after taking into account the then latest property market development in the PRC, the estimated construction progress and sales of property comprising the IEC Project or the PZH Project. Please refer to the IEC Termination Announcement for further details of the Termination Agreements. As at the Latest Practicable Date, all service fees and related expenses payable by HXL to the Group have been settled, while the outstanding amount and related expenses payable by SRF to the Group amounted to approximately RMB347.4 million (equivalent to approximately HK\$388.9 million) (the "**Outstanding Amount**").

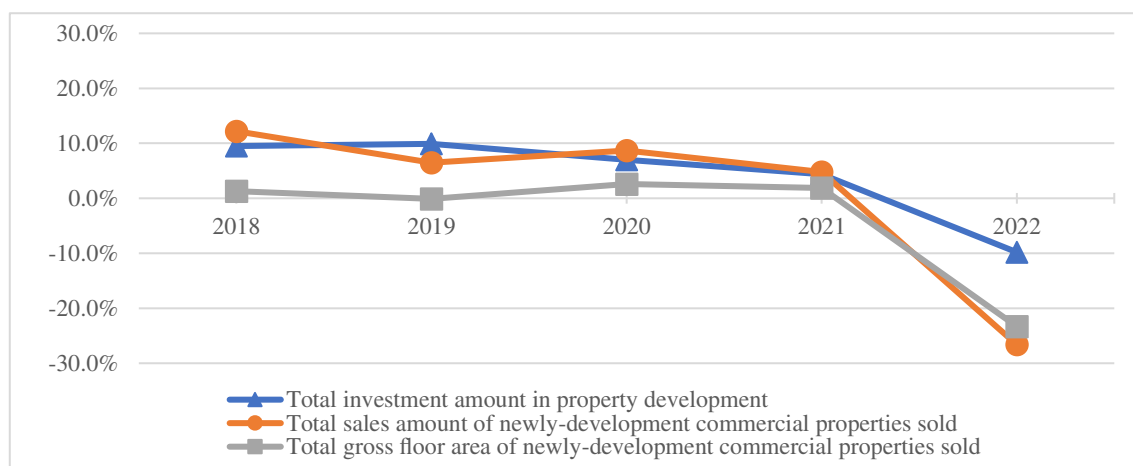
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Throughout the past two years, the PRC real property sector has been severely affected by the COVID-19 pandemic and a series of contracting monetary policies promulgated by the PRC Government targeting the real property industry. The demand for real property in the PRC has been sluggish for a prolonged period of time. The following chart depicts the growth rates of the key statistics of the PRC's property market from 2018 to 2022:

**Chart 1: Growth rates of the key statistics of the PRC's property market**



Source: the National Bureau of Statistics of China

Note: Commercial properties (商品房) comprise residential properties, office buildings and buildings for commercial business.

The PRC's property market, in general, maintained a steady growth during the period from 2018 to 2021, and was deteriorating rapidly in 2022. As illustrated in Chart 1 above, the total investment amount in property development in the PRC for the year ended 31 December 2022 recorded a negative growth rate of approximately 10.0% as compared to that recorded in 2021, while the total sales amount and gross floor area of newly-development commercial properties sold also recorded a negative growth rate of over 20% as compared to that recorded in 2021. As advised by SRF, the demand for real properties in the PRC has been sluggish for several years because of the economic downturn and stringent pandemic control measures. Like most of the property development projects in Southern China, the construction progress of the IEC Project has been slackened because of the weak demand and lack of funding support provided by financial institutions in the PRC and the sales of the property comprising the IEC Project are significantly less than the original estimates because of the sluggish market conditions. Therefore, SRF did not have sufficient cash flows for the repayment of the Outstanding Amount due to the Group in accordance with the terms of the IEC Termination Agreement. In particular, pursuant to the IEC Termination Agreement, SRF should pay approximately RMB194.2 million to Shirble Management Consultant on or before 31 December 2022. However, SRF only paid approximately RMB74.7 million to Shirble Management Consultant as at the Latest Practicable Date, with approximately RMB119.5 million remaining outstanding. Against this background, SRF has indicated to the Group that it would like to extend the repayment period, and on 30 December 2022, Shirble Management Consultant and SRF entered into the IEC Supplemental Termination Agreement to amend certain terms of the IEC Termination Agreement (in particular, the payment terms).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have enquired with the Directors whether they have considered other possible methods of handling the Outstanding Amount before entering into the IEC Supplemental Termination Agreement, and were given to understand that under the current unfavorable property market in the PRC, it is believed that SRF would not be able to dispose of the uncompleted IEC Project at acceptable prices within a short period of time. Furthermore, 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 Outstanding Amount due from SRF as the IEC Project has yet to be completed and 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 and 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 RMB347.4 million (equivalent to approximately HK\$388.9 million) due from SRF. In such case, the recovery of the Outstanding Amount would require a long period of time and involve a high degree of uncertainty. In view of the above, we concur with the Directors' view that the Extension by entering into the IEC Supplemental Termination Agreement is the most commercially viable option to deal with the Outstanding Amount of RMB347.4 million payable by SRF to the Group.

In addition, we noted that under the IEC Supplemental Termination Agreement, the repayment period of the Outstanding Amount will be extended by three years, where RMB119.5 million, RMB180.0 million and RMB47.9 million shall be payable by SRF to Shirble Management Consultant on or before 31 December 2025, 31 December 2026 and 31 December 2027, respectively. We have enquired with the Management about the determination basis of the extension period (i.e. three years), and were advised that the construction progress of the IEC Project has been slackened and the sales of property comprising the IEC Project are significantly less than the original estimates due to the outbreak of the COVID-19 pandemic in the PRC and a series of contracting monetary policies promulgated by the PRC Government. In determining the extension period, they have taken into account the latest development and sale plan of the IEC Project. In this regard, we have obtained from the Management the latest development and sale plan of the IEC Project provided by SRF, and noted therefrom that the IEC Project consists of four blocks of building, with a total floor area of 273,200 square meters. The topping-out of the principal structure of Blocks A and B of the IEC Project has been completed in June 2021 while the same for Block C has also been completed in December 2021. It is expected that the topping-out of the principal structure for Block D will be completed in December 2023. SRF expects that the development of the IEC Project will resume gradually in the second quarter of 2023 and the sale of IEC Project will be gradually boosted up from the third quarter of 2023 after obtaining the completion certificate for Blocks A and B of the IEC Project by end of 2023 and that for Blocks C and D of the IEC Project by end of 2024. In addition, in November 2022, SRF signed a fund monitoring agreement (the “**Fund Monitoring Agreement**”) with 廣東省深圳市福田公證處 (Guangdong Province Shenzhen Futian Notary Office\*), 深圳市福田區住房和建設局 (Shenzhen Futian District Housing and Construction Bureau\*) and a financial institution (the “**Financial Institution**”) which held the pledged shares of SRF, pursuant to which a separate bank account has been opened by SRF for the sole purpose of monitoring the settlement of funding relating to the IEC Project.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Under the Fund Monitoring Agreement, priority of payment is given to construction workers' wages, settlement of construction costs and government taxes and related expenses before the settlement of SRF's management and operating expenses. In view of the above, we concur with the Directors' view that the Extension of three years is a reasonable duration to allow SRF to have sufficient time to complete the development of the IEC Project and generate sufficient cash from the sales of the IEC Project for the repayment of the Outstanding Amount.

Based on the latest estimation by SRF, the amount of the gross proceeds from the disposal of the unsold property units of the IEC Project would be not less than RMB10.9 billion on the basis that the unsold property units of the IEC Project could be sold at the "acceptable selling prices" (being not less than RMB74,000 per square meters for Blocks A and B, and not less than RMB60,000 per square meters for Blocks C and D). The Directors believe that the IEC Project could be disposed of at that "acceptable selling prices" after having considered the followings: (i) economic growth: the PRC's economy is projected to grow moderately at a growth rate of around 4.8% in 2023, which expects to support the increases in the demand for real property and the property prices; (ii) government policies: the PRC Government has implemented a series of incentive schemes aimed at boosting the property market and encouraging investment in real estate, including maintaining low interest rates and relaxing lending requirements; (iii) location: the IEC Project is located at the intersection between Shangbu Road and Nigang Road, the Futian District, Shenzhen, where the Directors believe that it is one of the prime locations in Shenzhen; and (iv) condition of the property: SRF estimates the completion acceptance dates of IEC project (a) for Blocks A and B would be before the end of 2023; and (b) for Blocks C and D before the end of 2024, following which SRF would be in a better position to sell the completed property units. The Directors expect that SRF would be able to repay the Outstanding Amount in full and in accordance with the terms of the IEC Supplemental Termination Agreement after the disposal of the IEC Project.

Furthermore, the entering into of the IEC Supplemental Termination Agreement will generate interest income to the Group. According to the IEC Supplemental Termination Agreement, interest on the Outstanding Amount will be accrued from 1 January 2023 at the prevailing benchmark rate for three-year RMB fixed deposit published by the China Construction Bank in the PRC (the "**CCB 3Y RMB Benchmark Rate**") from time to time and will be payable in three installments on 31 December 2025, 31 December 2026 and 31 December 2027. Based on (i) the Outstanding Amount of approximately RMB347.4 million payable by SRF to the Group; (ii) the repayment schedule as set out in the IEC Supplemental Termination Agreement; and (iii) the prevailing CCB 3Y RMB Benchmark Rate of 2.6% per annum, it is expected that the total interest income to be generated from the Extension during the period commencing from 1 January 2023 to 31 December 2027 amounts to approximately RMB34.3 million (equivalent to approximately HK\$38.4 million), which represents approximately 15% of the Group's total revenue in FY2021. We concur with the Directors' view that the entering into of the IEC Supplemental Termination Agreement will provide an interest income to the Group for the extension period.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we have analyzed the financial position of the Group, particularly the liquidity position of the Group. According to the 2022 Interim Report, the Group's current assets and current liabilities as at 30 June 2022 amounted to approximately RMB731.3 million and approximately RMB588.8 million, respectively, resulting in net current assets of approximately RMB142.4 million. As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately RMB62.0 million, representing an increase of approximately 6.6% as compared to approximately RMB58.2 million as at 31 December 2021. Such increase was mainly attributable to (i) cash generated from operations in 1H2022 of approximately RMB115.8 million; (ii) net cash generated from investing activities in 1H2022 of approximately RMB22.4 million, which was partially offset by (i) repayment of principal amount and interest of borrowings of approximately RMB82.7 million and lease payments of approximately RMB68.0 million. We have also enquired with the Management about the Group's fund raising needs in the next five years, and were advised that the development of the Zhuhai Complex has been completed and the completion certificate was obtained by the Group in 2021. According to the 2022 Interim Report, the fair value of the Zhuhai Complex amounted to approximately RMB350.0 million as at 30 June 2022. Taking into account, among other things, (i) the existing cash position of the Group; (ii) the fair value of the Zhuhai Complex of approximately RMB350.0 million as at 30 June 2022; and (iii) the repayment of bank loan of approximately RMB254.0 million, which is secured by the Zhuhai Complex, the Company anticipates that the Group will have sufficient fund for maintaining the Group's daily operation for the next five years. In this regard, we have obtained from the Management, and reviewed, the Group's cash flow forecast for the next five years on the assumption that the IEC Supplemental Termination Agreement materialises. Upon our review on the cash flow forecast, we are of the view that the cash flow forecast was prepared by the Company under due and careful consideration, and concur with the Company's view that the Group will have sufficient fund for maintaining the Group's daily operation for the next five years.

Having taken into account the facts that (i) SRF does not have sufficient cash for the repayment of the Outstanding Amount due to the Group in accordance with the terms of the IEC Termination Agreement; (ii) under the current unfavorable property market in the PRC, it is believed that SRF would not be able to dispose of the uncompleted IEC Project at acceptable prices; (iii) any court proceedings that may be initiated by Shirble Management Consultant against SRF in the PRC would not be helpful to the Group to recover the Outstanding 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; (iv) the Extension by entering into the IEC Supplemental Termination Agreement is the most commercially viable option to deal with the Outstanding Amount of RMB347.4 million payable by SRF to the Group; (v) the Extension of three years is a reasonable duration to allow SRF to have sufficient time to complete the development of the IEC Project and generate cash from the sales of the IEC Project for the repayment of the Outstanding Amount; (vi) the Directors expect that SRF would be able to repay the Outstanding Amount in full and in accordance with the terms of the IEC Supplemental Termination Agreement after the disposal of the IEC Project; (vii) the entering into of the IEC Supplemental Termination Agreement will provide an interest income to the Group for the extension period; (viii) the Group will have sufficient fund for maintaining the Group's daily operation for the next five years; and (ix) the terms of the IEC Supplemental Termination Agreement are fair and reasonable so far as the Independent Shareholders are concerned (please refer to our analysis as detailed in the section headed "*III. Principal terms of the IEC Supplemental Termination Agreement*" below), we concur with the Directors' view that the entering into of the IEC Supplemental Termination Agreement is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### III. Principal terms of the IEC Supplemental Termination Agreement

Set out below is a summary of the principal terms of the IEC Supplemental Termination Agreement:

Date	:	30 December 2022
Parties	:	Shirble Management Consultant and SRF
Repayment amount	:	RMB347.4 million (equivalent to approximately HK\$388.9 million)
Repayment period	:	SRF shall repay the aggregate of RMB347.4 million (equivalent to approximately HK\$388.9 million) to Shirble Management Consultant in the following manner: <ul style="list-style-type: none"><li>(i) RMB119.5 million (equivalent to approximately HK\$133.8 million) on or before 31 December 2025;</li><li>(ii) RMB180.0 million (equivalent to approximately HK\$201.5 million) on or before 31 December 2026; and</li><li>(iii) RMB47.9 million (equivalent to approximately 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 CCB 3Y RMB Benchmark Rate.

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. As advised by the Management, the terms of the IEC Supplemental Termination Agreement were determined after arm's length negotiation between Shirble Management Consultant and SRF.

(i) *Interest rate*

According to the IEC Supplemental Termination Agreement, the interest rate of the Outstanding Amount shall be equivalent to the prevailing CCB 3Y RMB Benchmark Rate. As at the Latest Practicable Date, the prevailing CCB 3Y RMB Benchmark Rate was 2.6% per annum.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that the HK\$ deposit rate in Hong Kong is generally higher than the prevailing CCB 3Y RMB Benchmark Rate of 2.6% per annum in the PRC. In this regard, we have enquired with the Management about the determination basis of the interest rate of the Outstanding Amount and were given to understand that as the principal activities of the Group are conducted in the PRC, the majority of the Group's cash balance is maintained in the accounts of the Group's subsidiaries in the PRC, and could only be transferred to countries and/or regions outside the PRC through burdensome and time-consuming administrative procedures. Even after SRF repays the Outstanding Amount to Shirble Management Consultant, the repayment amount will be maintained in the accounts of the Group's subsidiaries in the PRC for maintaining their daily operation in the PRC, rather than transferring to the accounts of the Group's subsidiaries in Hong Kong. Having considered the facts that (i) as the principal activities of the Group are conducted in the PRC, the majority of the Group's cash balance is maintained in the accounts of the Group's subsidiaries in the PRC, and could only be transferred to countries and/or regions outside the PRC through burdensome and time-consuming administrative procedures; (ii) the Outstanding Amount to be repaid by SRF will be maintained in the accounts of the Group's subsidiaries in the PRC for maintaining their daily operation in the PRC; and (iii) the China Construction Bank in the PRC is one of the principal banks of the Group, we concur with the Management's view that it is reasonable to use the prevailing CCB 3Y RMB Benchmark Rate from time to time as the interest rate of the Outstanding Amount, and that the interest rate of the Outstanding Amount is justifiable.

*(ii) Term to maturity*

In view of the facts that (i) the construction progress of the IEC Project has been slackened because of the weak demand and lack of further funding provided by financial institutions in the PRC and the sales of the property comprising the IEC Project are significantly less than the original estimates because of the sluggish market conditions; (ii) SRF's financial condition is deteriorating with insufficient cash flows for the repayment of the Outstanding Amount due to the Group; (iii) pursuant to the Fund Monitoring Agreement, priority of payment is given to construction workers' wages, settlement of construction costs and government taxes and related expenses before the settlement of SRF's management and operating expenses; (iv) the Extension of three years will allow SRF to have sufficient time to complete the development of the IEC Project and generate sufficient cash from the sales of the IEC Project for the repayment of the Outstanding Amount; and (v) the benefit of the Extension as detailed in the sections headed "*II. Background of, reasons for and benefits of the entering into of the IEC Supplemental Termination Agreement*" above, we are of the view that the extension of the repayment period of the Outstanding Amount for three years is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

*(iii) Conclusion*

Having considered the above, we are of the view that the terms of the IEC Supplemental Termination Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### IV. Financial effects of the Extension

#### (i) Effect on assets and liabilities

According to the 2022 Interim Report, the carrying amounts of the Outstanding Amount of approximately RMB227.9 million and approximately RMB119.5 million were classified as non-current assets and current assets of the Group, respectively. After the Extension being effective, all the Outstanding Amount of RMB347.4 million will be classified as non-current assets of the Group.

#### (ii) Effect on earnings

According to the terms of the IEC Supplemental Termination Agreement, the Group will receive an interest income at the prevailing CCB 3Y RMB Benchmark Rate on the Outstanding Amount. Based on (i) the Outstanding Amount of approximately RMB347.4 million payable by SRF to the Group; (ii) the repayment schedule as set out in the IEC Supplemental Termination Agreement; and (iii) the prevailing CCB 3Y RMB Benchmark Rate of 2.6% per annum, it is expected that the total interest income to be generated from the Extension during the period commencing from 1 January 2023 to 31 December 2027 amounts to approximately RMB34.3 million. Accordingly, it is expected that the entering into of the IEC Supplemental Termination Agreement will have positive effect on earnings.

### OPINION

Having taken into account the above principal factors and reasons, we are of the view that notwithstanding that the entering into of the IEC Supplemental Termination Agreement is not in the ordinary and usual course of business of the Group, the terms of the IEC Supplemental Termination Agreement are on normal commercial terms and are fair and reasonable, and the entering into of the IEC Supplemental Termination Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution at the 2023 EGM to approve the IEC Supplemental Termination Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Astrum Capital Management Limited**  
**Hidulf Kwan**  
*Managing Director*

*Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.*

\* *For identification purpose only*

## 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 not contained in this circular, the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (I) Directors' and chief executive's interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which 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 which were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

#### (a) Long positions in shares of the Company

Name of Director	Number of Shares/underlying Shares	Capacity and nature of interests	Approximate percentage of total issued share capital
Mrs. Yang	1,374,167,500	Administrator <i>(note)</i>	55.08%
	8,324,000	Beneficial owner	0.33%
Mr. YANG Ti Wei	2,490,000	Beneficial owner	0.09%

*Note: Mrs. Yang has been appointed as the administrator of the estate of Mr. YANG Xiangbo, which include all the issued share capital of Xiang Rong Investment Limited (“**Xiang Rong**”). Xiang Rong owns the entire issued share capital of Shirble Department Store Limited (“**Shirble BVI**”). As such, Mrs. Yang is deemed to be interested in the 1,374,167,500 Shares held by Shirble BVI.*

*(b) Long positions in shares of associated corporations*

<b>Name of Director</b>	<b>Name of associated corporations</b>	<b>Number of shares/ underlying shares</b>	<b>Capacity and nature of interests</b>	<b>Approximate percentage of total issued share capital</b>
Mrs. Yang	Shirble BVI	50,000	Administrator <i>(note)</i>	100%
Mrs. Yang	Xiang Rong	100	Administrator <i>(note)</i>	100%

*Note: Mrs. Yang has been appointed as the administrator of the estate of Mr. YANG Xiangbo, which include all the issued share capital of Xiang Rong. Xiang Rong owns the entire issued share capital of Shirble BVI.*

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 any such Director was taken or deemed to have under such provisions of the SFO); or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

*(c) Other Director's interest*

As of the Latest Practicable Date, except Mrs. Yang, being the sole director of Shirble BVI and Xiang Rong, none of the Directors was a director or employee of a company which had or was deemed to have an interest or short position 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.

**(II) Substantial Shareholders who have an interest and/or short position which is disclosable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors and chief executive of the Company, as of the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

**(a) Long positions in shares of the Company**

<b>Name</b>	<b>Number of Shares/ underlying Shares</b>	<b>Capacity and nature of interests</b>	<b>Approximate percentage of total issued Shares</b>
Shirble BVI	1,374,167,500	Administrator <i>(note)</i>	55.08%
Xiang Rong	1,374,167,500	Interest in a controlled corporation <i>(note)</i>	55.08%
Mr. HAO Jian Min	374,250,000	Beneficial owner	15.00%

*Note: The 1,374,167,500 shares of the Company were held by Shirble BVI, which was wholly owned by Xiang Rong. Mrs. Yang has been appointed as the administrator of the estate of Mr. YANG Xiangbo, which include all the issued share capital of Xiang Rong. According to the SFO, both of Mrs. Yang and Xiang Rong were deemed to have interests in the 1,374,167,500 shares held by Shirble BVI.*

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### 3. COMPETING BUSINESS

As of the Latest Practicable Date, none of the Directors and his close associates had any interests (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company for the purpose of the Listing Rules) which competes or was likely to compete, either directly or indirectly, with the businesses of the Group.

### 4. SERVICE CONTRACTS

As of the Latest Practicable Date, no Director had a service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

### 5. DIRECTORS' INTEREST IN ASSETS

None of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

### 6. DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

There was no contract or arrangement of significance in relation to the Group's business in which a Director had a material interest, whether directly or indirectly, subsisting as of the Latest Practicable Date.

### 7. MATERIAL ADVERSE CHANGE

On 29 August 2022, Baoke Trading (BVI) Company Limited (“**Baoke**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement pursuant to which Baoke as the vendor agreed to sell, and Bright Goal Investment Holding Limited (明高投資控股有限公司) as the purchaser agreed to acquire, 1,320,000,000 ordinary shares in TFG International Group Limited (“**TFG International**”), a company listed on the Stock Exchange (stock code: 00542). This equity investment was treated as financial asset at fair value through profit or loss of the Group before completion and as of the Latest Practicable Date, the Company expects that it will record a loss on the disposal of approximately HK\$58.3 million. Upon completion of the disposal on 30 September 2022, the Group ceased to hold any interest in TFG International.



On 8 December 2022, 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 and as the lessee, entered into an early termination agreement (the “**Early Termination Agreement**”) with Shenzhen Hongfa Real Estate Development Co., Ltd.\* (深圳市宏發房地產開發有限公司) as the lessor, to terminate the lease of the premise located at Hongfa World Shopping Plaza, Baoshi South Road, Langxin Community, Shiyan Street, Baoan District, Shenzhen, Guangdong Province, the PRC, at which the Group had been operating a department store. The Group will regard the transaction contemplated under the Early Termination Agreement as a disposal of the right-of-use asset and will derecognize the right-of-use asset of approximately RMB283.0 million in the consolidated financial statements of the Company pursuant to IFRS 16.

As of the Latest Practicable Date, certain suppliers and ex-employee have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and employment contract terms. These legal proceedings are ongoing.

As of the Latest Practicable Date, save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 8. EXPERT’S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Astrum Capital Management Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion as set out in this circular and references to its name in the form and context in which they appear in this circular.

As of the Latest Practicable Date, the expert above did not have any interest, direct or indirect, in any assets which had been 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 since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As of the Latest Practicable Date, the expert above did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**9. MISCELLANEOUS**

- (a) The Hong Kong branch share registrar and transfer office of the Company is Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong.
- (b) The secretary of the Company and the qualified accountant of the Company is Mr. CHOW Chun Pong, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.
- (c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Unit C2, 30th Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (d) Unless otherwise stated, all references to times and dates in this circular refer to Hong Kong times and dates.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**10. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.shirble.net](http://www.shirble.net) from the date of this circular up to 14 days thereafter:

- (a) the IEC Project Consulting Service Agreement;
- (b) the IEC Termination Agreement; and
- (c) the IEC Supplemental Termination Agreement.

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## NOTICE OF EGM

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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)**

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “EGM”) of the members of Shirble Department Store Holdings (China) Limited (the “Company”) will be held at 10/F, The Wave, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong, on Wednesday, 29 March 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT** the supplemental agreement entered into between Shenzhen Shirble Enterprise Management Co., Ltd. (深圳市歲寶企業管理有限公司) and Shenzhen Shengrunfeng Investment & Development Co., Ltd.\* (深圳市晟潤豐投資發展有限公司) dated 30 December 2022 (the “**IEC Supplemental Termination Agreement**”) (a copy of which having been produced at the EGM and marked “A” and initialed by the chairman of the EGM for identification purpose), and the transactions contemplated thereunder and in connected therewith, be and are hereby approved, confirmed and ratified; **AND THAT** any director of the Company be and is hereby authorised to do all such further acts and things and execute such further documents on behalf of the Company and take all such steps which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the IEC Supplemental Termination Agreement and the transactions contemplated thereunder and to make and agree with such changes in the terms of the IEC Supplemental Termination Agreement as he may in his discretion consider necessary, desirable and expedient and in the interest of the Company.”

By order of the Board

**YANG Ti Wei**

*Deputy Chairman, Chief Executive Officer and  
Executive Director*

Hong Kong, 13 March 2023

*Registered Office:*

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

*Principal Place of Business in Hong Kong:*

Unit C2, 30th Floor, T G Place  
10 Shing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

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## NOTICE OF EGM

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*Notes:*

- (1) A form of proxy for the EGM is enclosed.
- (2) Any member entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company.
- (3) In order to be valid, the form of proxy completed in accordance with the instructions set out therein, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of that power or authority) must be deposited to the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the EGM (i.e. not later than Monday, 27 March 2023 at 11:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.
- (4) In case of joint holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting in person or by proxy, then one of the said persons so present whose name stands first on the register of members in respect of such Share shall alone be entitled to vote in respect thereof.
- (5) The register of members of the Company will be closed from Tuesday, 28 March 2023 to Wednesday, 29 March 2023, both days inclusive, during which period no transfer of Shares will be effected in order to determine the entitlement to attend and vote at the EGM. All Share transfers accompanied by the relevant Share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong for registration not later than 11:00 a.m. on Monday, 27 March 2023 for such purpose.
- (6) As of the date of this notice, the executive Director is Mr. YANG Ti Wei (Deputy Chairman and Chief Executive Officer), the non-executive Director is Ms. HUANG Xue Rong (Chairlady) and the independent non-executive Directors are Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. TSANG Wah Kwong.