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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)**

**CONTINUING CONNECTED TRANSACTIONS  
RESTAURANT OPERATION AGREEMENT**

On 10 September 2014 (after trading hours), Lufeng Shirble and Lufeng Haige entered into the Restaurant Operation Agreement, pursuant to which Lufeng Shirble has agreed that the Restaurant Venue would be permitted to be used by Lufeng Haige for the operation of the Restaurant.

The Restaurant Venue is situated at the Lufeng Property which is owned by the Group. The Lufeng Property is part of a commercial complex and comprises a commercial plaza of six floors with the anticipated gross floor area of 25,855.76 sq. m. and an outdoor plaza surrounding the commercial complex. The Group is planning to open a new department store at the Lufeng Property in the third quarter of 2014.

Pursuant to the Restaurant Operation Agreement, Lufeng Shirble will not be involved in the day-to-day management and operation of the Restaurant. The monthly income to be received by Lufeng Shirble under the Restaurant Operation Agreement includes two components, namely (1) a fixed monthly fee of RMB250,000 (equivalent to HK\$314,945) for the use of the Restaurant Venue by Lufeng Haige and (2) a variable amount representing 50% of the operating profit of Lufeng Haige. Lufeng Shirble will be responsible for the design, decoration and fixtures at the Restaurant Venue. The Directors expect that the cost incurred by the Group in this regard is RMB14.6 million (equivalent to HK\$18.4 million) which will be recorded as part of the non-current assets of the Group. If Lufeng Haige would like to terminate the Restaurant Operation Agreement before the expiration of the initial term of the Restaurant Operation Agreement, Lufeng Haige will be required to pay such amount of compensation as agreed between Lufeng Shirble and Lufeng Haige. In the absence of such agreement, Lufeng Haige has agreed that the amount of compensation shall be equivalent to the net book value of the decoration and fixtures installed at the Restaurant Venue as recorded in the accounting records of the Group as of the proposed date of termination.

Lufeng Haige is a wholly-owned subsidiary of Shirble Inn which is in turn ultimately controlled by Mr. YANG Xiangbo, a controlling shareholder of the Company. Hence, Shirble Inn and Lufeng Haige are associates of a connected person of the Company. Pursuant to Rules 1.01 and 14A.07(4) of the Listing Rules, Shirble Inn and Lufeng Haige are connected persons of the Company. The transactions contemplated under the Restaurant Operation Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Annual Caps exceed 0.1% but are less than 5%, the Restaurant Operation Agreement is subject to the reporting, announcement, and annual review requirements, but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors), having considered the background and experience of Lufeng Haige, the Restaurant Operation Agreement and the transactions contemplated thereunder (including the Annual Caps) and reviewed the valuation report prepared by an international property valuer on the market value of the Restaurant Venue, and the level of market rental, are of the view that (a) Lufeng Haige is suitable for the operation of the Restaurant, (b) the Restaurant Operation Agreement is entered into in the ordinary course of business of the Group and upon normal commercial terms and (c) the terms of the Restaurant Operation Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **INTRODUCTION**

On 10 September 2014 (after trading hours), Lufeng Shirble and Luifeng Haige entered into the Restaurant Operation Agreement, pursuant to which Lufeng Shirble has agreed that the Restaurant Venue would be permitted to be used by Lufeng Haige for the operation of the Restaurant. Lufeng Haige is a wholly-owned subsidiary of Shirble Inn, both of which are associates of a connected person of the Company. Hence, the transactions under the Restaurant Operation Agreement constitute continuing connected transactions for the Company. The implications of the Restaurant Operation Agreement under the Listing Rules are set forth in the paragraphs under “Implications under the Listing Rules” below.

## **BACKGROUND INFORMATION**

On 15 October 2012, the Company announced that Shanwei Shirble agreed to purchase the Lufeng Property and the related land parcel for the purchase price of RMB206,846,080 (equivalent to HK\$260,580,355). The amount of the purchase price has been settled in full, and the property ownership certificate for the Lufeng Property was issued to Shanwei Shirble on 16 June 2014.

The Lufeng Property has been delivered to the Group in March 2014, which was three months behind the original schedule because of delay in the construction progress. The Lufeng Property is part of a commercial complex known as “Lucheng Hua Ting Commercial Plaza\* (陸城華廷商業廣場)” and comprises a commercial plaza of six floors with the anticipated gross floor area of 25,855.76 sq. m. and an outdoor plaza surrounding the commercial complex. The Group is planning to open a new department store at the Lufeng Property in the third quarter of 2014.

Shanwei Shirble has leased the Lufeng Property to Lufeng Shirble, a wholly-owned subsidiary of the Company established for the operation of the department store at Lufeng Property. The PRC Legal Advisers confirm that the lease agreement between Shanwei Shirble and Lufeng Shirble is valid and legally enforceable under the laws of the PRC.

## **TERMS OF THE RESTAURANT OPERATION AGREEMENT**

Lufeng Haige is wholly-owned by Shirble Inn, which is ultimately controlled by Mr. YANG Xiangbo, a controlling shareholder of the Company. Hence, Lufeng Haige and Shirble Inn are associates of a connected person of the Company. Pursuant to Rules 1.01 and 14A.07(4) of the Listing Rules, Shirble Inn and Lufeng Haige are connected persons of the Company.

The transactions contemplated under the Restaurant Operation Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Annual Caps exceed 0.1% but are less than 5%, the Restaurant Operation Agreement is subject to the reporting, announcement, and annual review requirements, but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The following sets forth the principal terms of the Restaurant Operation Agreement:-

Date: 10 September 2014 (after trading hours)

Parties: (1) Lufeng Shirble, as sub-lessor and  
(2) Lufeng Haige (as the operating entity of the Restaurant), sub-lessee.

Initial term: Three (3) years commencing from 19 September 2014 and ending on 18 September 2017, subject to the following early termination rights:-

- (a) either party may terminate the Restaurant Operation Agreement by giving not less than three months' notice in writing to the other party, provided that if Lufeng Haige would like to terminate the Restaurant Operation Agreement before the expiration of the initial term, Lufeng Haige will be required to pay such amount of compensation as agreed between Lufeng Shirble and Lufeng Haige. In the absence of such agreement, Lufeng Haige has agreed that the amount of compensation shall be equivalent to the net book value of the decoration and fixtures installed at the Restaurant Venue as recorded in the accounting records of the Group as of the proposed date of termination; and
- (b) Lufeng Shirble may terminate the Restaurant Operation Agreement without any condition if Lufeng Haige is loss making for a period of consecutive six months or a total of eight months in any financial year according to the financial information provided to Lufeng Shirble;

- (c) Lufeng Shirble may terminate the Restaurant Operation Agreement if the Restaurant Venue is required to be demolished or relocated, in which event all compensation shall be received by Lufeng Shirble;
- (d) Lufeng Shirble may terminate the Restaurant Operation Agreement if there is any order of seizure or auction against any facilities within the Restaurant because of default of the contractual obligations on the part of Lufeng Haige, in which event Lufeng Haige shall compensate Lufeng Shirble such amount of compensation equivalent to the net book value of the assets (which includes decoration and fixtures installed) at the Restaurant Venue as recorded in the accounting record of the Group as of the proposed date of termination; and
- (e) Lufeng Shirble may terminate the Restaurant Operation Agreement without any condition if Lufeng Haige fails to provide the financial information pursuant to the Restaurant Operation Agreement or is otherwise in breach of any terms and conditions of the Restaurant Operation Agreement.

Responsibilities of the parties:

Pursuant to the Restaurant Operation Agreement, Lufeng Haige has agreed using the Restaurant Venue for the operation of the Restaurant.

*Responsibilities of Lufeng Shirble*

Lufeng Shirble will not be involved in the day-to-day management and operation of the Restaurant. Pursuant to the Restaurant Operation Agreement, Lufeng Shirble will be responsible for the design, decoration and fixtures, such as those relating to fire safety, supply of gas, air-conditioning, water, electricity, and kitchen utilities, at the Restaurant Venue. The Directors expect that the cost incurred by the Group in this regard is RMB14.6 million (equivalent to HK\$18.4 million) which will be recorded as part of the non-current assets of the Group.

*Responsibilities of the Lufeng Haige*

Lufeng Haige will bear the operating expenses of the Restaurant. All employees of the Restaurant will be hired by Lufeng Haige and Lufeng Haige is responsible for salaries and social insurance and other employment-related obligations. Lufeng Haige is required to provide the monthly financial information including the operating income and expenses to Lufeng Shirble by the 5th day of the following month.

*Fixed monthly income to be received by Lufeng Shirble*

The monthly income to be received by Lufeng Shirble under the Restaurant Operation Agreement includes two components, namely (1) a fixed monthly fee of RMB250,000 (equivalent to HK\$314,945) for the use of the Restaurant Venue by Lufeng Haige and (2) a variable amount representing 50% of the operating profit of Lufeng Haige, which represents the income received by Lufeng Haige less the fixed monthly fee and other operational and administrative expenses and tax payment of Lufeng Haige.

Governing law: The law of the PRC

The Directors confirm that the use of the Restaurant Venue for food and beverage business would be beneficial to and an integral part of the department store to be operated by the Group at the Lufeng Property. The Directors also understand that owners of premises in the region may handover the premises with full decoration and fixtures or provide a rent-free period for the premises used for the restaurant business, particularly for newly completed premises with no proven record of customers' visits. On this basis and based on the fact that the fixed monthly income is more than the depreciation charge of the Group for the decoration and fixtures installed by the Group at the Restaurant Venue, the Directors are of the view that the fixed monthly income as well as the profit sharing arrangement under the Restaurant Operation Agreement are fair and reasonable to the Group and allow the Group to share the operating results of the Restaurant without bearing the operational risks.

## THE PROPOSED ANNUAL CAPS

The following sets forth the Annual Caps:-

	Annual Caps			
	For 2014 (from 19 September 2014 to 31 December 2014)	For 2015 (from 1 January 2015 to 31 December 2015)	For 2016 (from 1 January 2016 to 31 December 2016)	For 2017 (from 1 January 2017 to 18 September 2017)
Annual Caps	HK\$1,721,202	HK\$6,074,831	HK\$6,074,831	HK\$4,353,629

The Annual Caps are determined by the Company with reference to (a) the fixed monthly fee to be received from Lufeng Haige for the use of the Restaurant Venue under the Restaurant Operation Agreement and (b) the anticipated performance of the Restaurant and the expected sharing of the profit of Lufeng Haige upon full operation of the Restaurant.

## INFORMATION ON LUFENG HAIGE

Lufeng Haige is a limited liability company established in the PRC. Lufeng Haige is a wholly-owned subsidiary of Shirble Inn which is engaged in hostel business in the PRC.

## REASONS FOR AND BENEFIT OF ENTERING INTO THE RESTAURANT OPERATION AGREEMENT

The Group is principally engaged in the operation and management of department stores in the PRC. As part of the business strategy of the Group, the Group is proactively expanding its store network into developing suburbs in Shenzhen and other second-tier or third-tier cities in Guangdong Province such as Dongguan, Shanwei, and Meizhou since 2011. In October 2012, the Group entered into a legally binding agreement for the purchase of the Lufeng Property and the related land parcel. Following the market research and assessment, the Directors believe that the department store locating at the Lufeng Property should be positioned as a small-scale shopping mall and that the food and beverage business would be an integral part of the department store in order to attract customers' visits. The opening of a restaurant is part of the business promotion plan of the new department store. The Group then started discussing with the local restaurant operators for the Restaurant. However, the Directors consider that the market experience, the business strategies and the terms of business cooperation of most of these operators are not suitable to the Group. As the Group is not engaged in food and beverage business, and Shirble Inn has more than 21 years of experience engaging in the operation of hostel business in Shanwei, which includes a restaurant in the hostel, the Group discussed with Shirble Inn for the operation of the Restaurant.

In light of the above, the Directors (including the independent non-executive Directors), having considered the background and experience of Lufeng Haige, the Restaurant Operation

Agreement and the transactions contemplated thereunder (including the Annual Caps) and reviewed the valuation report prepared by an international property valuer on the market value of the Restaurant Venue and the level of market rental, are of the view that (a) Lufeng Haige is suitable for the operation of the Restaurant, (b) the Restaurant Operation Agreement is entered into in the ordinary course of business of the Group and upon normal commercial terms and (c) the terms of the Restaurant Operation Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

At the Board meeting held on 10 September 2014, the Board has considered and approved the terms and conditions of the Restaurant Operation Agreement and the transactions contemplated thereunder (including the Annual Caps). Mr. YANG Xiangbo and Mr. YANG Ti Wei abstained from voting on the relevant resolution(s) at the relevant meeting of the Board because of their interest in Lufeng Haige.

## **IMPLICATIONS UNDER THE LISTING RULES**

Lufeng Haige is a wholly-owned subsidiary of Shirble Inn which is in turn ultimately controlled by Mr. YANG Xiangbo, a controlling shareholder of the Company. Hence, Shirble Inn and Lufeng Haige are associates of a connected person of the Company. Pursuant to Rules 1.01 and 14A.07(4) of the Listing Rules, Shirble Inn and Lufeng Haige are connected persons of the Company. The transactions contemplated under the Restaurant Operation Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Annual Caps exceed 0.1% but are less than 5%, the Restaurant Operation Agreement is subject to the reporting, announcement, and annual review requirements, but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEFINITIONS USED IN THIS ANNOUNCEMENT**

*Unless the context requires otherwise, the capitalised terms used herein shall have the same meanings as set forth below:-*

“Annual Caps”	the proposed annual caps for the continuing connected transactions under the Restaurant Operation Agreement;
“Board”	the board of directors of the Company;



“Company” or “Shirble”	Shirble Department Store Holdings (China) Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board (stock code 00312);
“Group”	Shirble and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Lufeng Haige”	陸豐海閣酒樓有限公司 (Lufeng Haige Restaurant Company Limited*), a company established in the PRC on 25 July 2014 and a wholly-owned subsidiary of Shirble Inn;
“Lufeng Property”	the commercial property with a developable area of 15,031 square meters on the related land;
“Lufeng Shirble”	陸豐歲寶百貨有限公司 (Lufeng Shirble Department Store Company Limited*), a wholly-foreign owned enterprise established in the PRC on 1 July 2014 and a wholly-owned subsidiary of the Company;
“Main Board”	the main board of the Stock Exchange;
“PRC”	The People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, The Macau Special Administrative Region, and Taiwan;
“PRC Legal Advisers”	the PRC legal advisers engaged by the Group for the purpose of the lease transaction between Shanwei Shirble and Lufeng Shirble and the Restaurant Operation Agreement;
“Restaurant”	a restaurant to be open and operated at the Restaurant Venue by Lufeng Haige;
“Restaurant Operation Agreement”	the agreement in respect of the operation of the Restaurant entered into between Lufeng Shirble and the Lufeng Haige on 10 September 2014;

“Restaurant Venue”	the fifth floor of the commercial building with gross floor area of 4,095.98 sq. m. situated at north of Guangzhou-Shantou Highway, Hongxing District, Donghai Town, Lufeng City, Guangdong Province, the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanwei Shirble”	汕尾歲寶百貨有限公司 (Shanwei Shirble Department Store Company Limited*), a wholly-foreign owned enterprise established in the PRC on 21 November 2011 and a wholly-owned subsidiary of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Shirble Inn”	陸河縣歲寶賓館 (Luhe County Shirble Inn*), a company established in the PRC on 6 December 1993 and a connected person of the Company;
“sq. m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

\* *For ease of reference, the names of the companies or entities established in the PRC have been included in this announcement in both the Chinese and English languages. The name in Chinese language is the official name of each such company or entity, while the name in English language is only an unofficial translation, and in the event of any inconsistency, the Chinese version shall prevail.*

By order of the Board of  
**Shirble Department Store Holdings (China) Limited**  
**YANG Xiangbo**  
*Chairman of the Board*

Hong Kong, 10 September 2014

*Unless otherwise specified, translations of RMB into HK\$ in this announcement are based on the rate of RMB100.0000 = HK\$125.9779. No representation is made that any amount in HK\$ and RMB can be or could have been converted at the relevant dates at this rate or any other rates at all.*

*As of the date of this announcement, the Board comprises Mr. YANG Xiangbo (Chairman) and Mr. YANG Ti Wei (Chief Executive Officer) as the executive Directors and Ms. ZHAO Jinlin, Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. FOK Hei Yu as the independent non-executive Directors.*