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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)

**STRATEGIC COOPERATION FRAMEWORK AGREEMENT
WITH HEMA TECHNOLOGY ON
HEMA FRESH SUPERMARKETS**

RESUMPTION OF TRADING OF SHARES

The Directors are pleased to announce that the Strategic Cooperation Framework Agreement has been entered into, whereby the Group will cooperate with Hema Technology to transform the Shirble Supermarkets into the Hema Fresh Supermarkets on a stage-by-stage basis within a period of two years from the Effective Date. Pursuant to the Strategic Cooperation Framework Agreement, the business operation of the 12 selected Shirble Supermarkets in Shenzhen will cease, and the related areas will be leased to Hema Technology for the business operations of Hema Fresh Supermarkets. Hema Technology has agreed that it will pay to the Group the Lease Payments from the Effective Date for the use of the relevant areas in the Shirble Premises.

In addition, as part of the Strategic Cooperation Framework Agreement, both Hema Technology and Shenzhen Shirble have agreed to explore and co-develop new community retail solutions.

The Directors believe that following the signing of the Strategic Cooperation Framework Agreement, Hema Technology and the Group will continue to leverage on their technical, operational and geographical advantages and expertise to further explore future cooperation opportunities in new community retail solutions to provide consumers with an excellent, convenient and quality new shopping experience.

Implications under the Listing Rules: The Directors have reviewed the arrangements contemplated under the Strategic Cooperation Framework Agreement and are of the view that none of them would constitute a notifiable transaction (as defined in Chapter 14 under the Listing Rules) for the Company.

Resumption of trading of Shares: Trading of Shares has been halted since 9:00 a.m. on 15 June 2018 pending the issue of this announcement. The Company has applied to the Stock Exchange for resumption of trading of Shares from 9:00 a.m. on 19 June 2018.

This announcement is made by the Board pursuant to Rule 13.09 of the Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND INFORMATION

The Directors are pleased to announce that the Strategic Cooperation Framework Agreement has been entered into, whereby the Group will cooperate with Hema Technology to transform the Shirble Supermarkets into the Hema Fresh Supermarkets on a stage-by-stage basis within a period of two years from the Effective Date. Pursuant to the Strategic Cooperation Framework Agreement, the business operation of 12 selected Shirble Supermarkets in Shenzhen will cease, and the related areas will be leased to Hema Technology for the business operations of Hema Fresh Supermarkets. Hema Technology has agreed that it will pay to the Group the Lease Payments from the Effective Date for the use of the relevant areas in the Shirble Premises. Whilst the business model of part of the Shirble Supermarket Business will change following the Effective Date, the Shirble Department Store Business will not be affected. The Group will continue to operate two Shirble Supermarkets in Shenzhen and five Shirble Supermarkets in other cities in Guangdong Province and Hunan Province, the PRC following the Effective Date.

PRINCIPAL TERMS OF THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The following sets forth the principal terms and conditions of the Strategic Cooperation Framework Agreement:

Date: 15 June 2018 (after trading hours)

Parties: Hema Technology and Shenzhen Shirble

Effective Date: 1 July 2018

Business cooperation: *Arrangement on handover of 12 selected Shirble Supermarkets to Hema Technology for the business operation of Hema Fresh Supermarkets:* As of the date of this announcement, the Group operates 14 Shirble Supermarkets in Shenzhen, the PRC, and five Shirble Supermarkets in other cities in Guangdong Province and Hunan Province, the PRC. Out of the 14 Shirble Supermarkets in Shenzhen, the PRC, the Group will lease related areas within 12 selected Shirble Supermarkets to Hema Technology for the business operations of Hema Fresh Supermarkets. The Strategic Cooperation Framework Agreement provides that the 12 selected Shirble Supermarkets will complete the transformation in three stages within two years from the Effective Date.

The Group will continue to operate two Shirble Supermarkets in Shenzhen, the PRC, and five Shirble Supermarkets in other cities in Guangdong Province and Hunan Province, the PRC. The parties will further explore the cooperation opportunities in relation to these Shirble Supermarkets.

Arrangement on the sale of the Food Inventories and the Non-food Inventories: All Food Inventories and Non-Food Inventories, so long as they are currently sold by other Hema Fresh Supermarkets and satisfy their product warranty requirements, will be acquired by Hema Technology at cost, and the Group would record no gain or loss on the disposal of such Food Inventories and Non-Food Inventories.

Food Inventories and Non-Food Inventories that will not be sold to Hema Technology will continue to be sold at other Shirble Supermarkets.

Arrangement on the existing renovation, furniture and fixtures at the 12 selected Shirble Supermarkets: Hema Technology will pay to the Group cash amount on the existing renovation, furniture and fixtures at the selected Shirble Supermarkets in Shenzhen, the PRC, which will be equivalent to the net book value of such renovation, furniture and fixtures as of 30 June 2018.

Arrangement on the staff: The parties to the Strategic Cooperation Framework Agreement will comply with the applicable laws and regulations in the PRC in handling the staff matters properly. The parties have reached final decision that most staff involved in the business operations of the 12 selected Shirble Supermarkets would be re-employed by Hema Technology or designated third parties for the business operations of Hema Fresh Supermarkets on a stage-by-stage basis from the Effective Date.

Lease Payments:

From the Effective Date, Hema Technology will pay to the Group monthly lease payments for the use of related areas within the 12 selected Shirble Premises in Shenzhen, the PRC, the amount of which would be sufficient to compensate the rental payments payable by the Shirble Premises which are leased from Independent Third Parties. The amount of the Lease Payments is determined with reference to the gross floor area of the Shirble Premises and the prevailing market rates of comparable premises taking into consideration the future synergistic benefits (including the expected consumers' traffic) that may be generated from the Hema Fresh Supermarkets. For the Shirble Premises owned by the Group, Hema Technology has agreed to pay to the Group the Lease Payments determined on the same basis.

Other terms:

Development of new retail business model: Hema Technology and Shenzhen Shirble have agreed to explore and co-develop new community retail solutions.

Non-competition: Shenzhen Shirble has undertaken to Hema Technology that it will not, and will procure none of its related parties will, cooperate, enter into any joint venture or otherwise enter into any strategic alliance with, directly or indirectly, any of the competitors of Hema Technology named in the Strategic Cooperation Framework Agreement. Hema Technology will be the sole business partner of the Shirble Supermarket Business.

Validity period:

The Strategic Cooperation Agreement has been effective from the date of signing and can be terminated upon the written agreement of the parties thereto.

The Strategic Cooperation Framework Agreement is a legally binding agreement and sets forth the general cooperative principles between Shenzhen Shirble and Hema Technology. The arrangements will be governed by the definitive agreements in each aspect.

REASONS AND BENEFITS OF ENTERING INTO THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

Whilst the Group has its own competitive advantages in the Shirble Supermarket Business and the Shirble Department Store Business, its store image and the product offerings are relatively less competitive in the rapidly developed retail market in the PRC in combination with the online retail platforms. As mentioned in the previous annual reports of the Company, the fast development of the online retail platforms create challenges to the chain store operators. Although the Group has its own online retail platform, the operation scale is restricted to the local population in Shenzhen, the PRC. In addition, the latest combination of online-to-offline business concept creates new business model in retail business so that consumers can enjoy shopping experience at stores with the support of and the convenience provided by online purchase and payment facilities.

Against the above background, the Directors believe that the Strategic Cooperation Framework Agreement will benefit the Group in the following aspects:

- (1) Through the shift of the major income source from direct sales to the receipt of the Lease Payments, the Group will be able to achieve a more solid and stable income base at lower cost and the overall profitability is expected to improve without being affected by the consumer preferences and the ever increasing competition in the retail business in the PRC both in the local and the national levels.
- (2) The strategic cooperation will entail a good opportunity for the Group to develop and tap into a younger consumer group in addition to the Group's mature customer base in Shenzhen, the PRC.
- (3) More potential trendy strategic business partners in different segments, such as food and beverage, entertainment and young fashion brands, may cooperate with the Group, which would facilitate the Group to migrate from the traditional department store business to a more trendy one-stop shopping mall.
- (4) Through this strategic cooperation, more consumers' traffic visiting the Shirble Premises is anticipated, which would increase the overall business opportunities, concessionaire sales and commission rates of the Shirble Department Store Business, generate more favorable leased/sublease rental terms, and improve the business profile and the profitability of the Group.

The Directors believe that following the signing of the Strategic Cooperation Framework Agreement, Hema Technology and the Group will continue to leverage on their technical, operational and geographical advantages and expertise to further explore future cooperation opportunities in new community retail solutions to provide consumers with an excellent, convenient and quality new shopping experience.

IMPLICATIONS UNDER THE LISTING RULES

The Directors have reviewed the arrangements contemplated under the Strategic Cooperation Framework Agreement and are of the view that none of them would constitute a notifiable transaction (as defined under Chapter 14 of the Listing Rules) for the Company. The Strategic Cooperation Framework Agreement is intended to enhance the business model of the Shirble Supermarket Business for the reasons and benefits set forth in the paragraphs under “Reasons and benefits of entering into the Strategic Cooperation Framework Agreement” above.

BUSINESS OF THE GROUP AND FUTURE PLANS

Following completion of the arrangements contemplated under the Strategic Cooperation Framework Agreement, the Group will continue to carry on the Shirble Department Store Business and will receive the Lease Payments. The Group will continue to operate two Shirble Supermarkets in Shenzhen and five Shirble Supermarkets in other cities in Guangdong Province and Hunan Province, the PRC, following the Effective Date. The Directors expect that the business of the Group would continue to develop in the following areas:

- (1) As contemplated under the Strategic Cooperation Framework Agreement, Hema Technology and the Group will continue to leverage on their technical, operational and geographical advantages and expertise to further explore future cooperation opportunities in new community retail solutions to provide consumers with excellent, convenient and quality new shopping experience.
- (2) The Group plans to enhance the strategic alliance with Hema Technology in opening new supermarkets and department stores particularly in Southern China region through the use of the latest information technology.
- (3) The Group will continue to enhance its portfolio of investment properties so as to provide a stable source of income to support the future business development and initiatives of the Group.

INFORMATION ON THE PARTIES TO THE STRATEGIC COOPERATION AGREEMENT

Hema Technology and Alibaba

To the Directors' best knowledge, information and belief and based on the information provided by Hema Technology, Hema Technology is a company incorporated in the PRC and is principally engaged in retail business. Hema Technology is an indirect wholly-owned subsidiary of Alibaba. To the Directors' best knowledge, information and belief, Alibaba is a company established in the Cayman Islands with its shares listed on the New York Stock Exchange (Symbol: BABA).

Hema Fresh Supermarket (盒馬鮮生), Hema Technology's proprietary grocery retail format, demonstrates the convergence of online and offline activities by using retail stores to warehouse and fulfill the online orders in addition to offering a rich and fun experience for customers who shop in-store. Based on the information provided by Hema Technology, it can deliver to online orders within 30 minutes to customers within a 3-kilometers radius of a Hema store, and offers a mobile app that allow consumers to research products and shop while browsing the store. Recently, Hema Technology has started a 24-hour delivery service in Shanghai and Beijing with an expanding selection of products.

Company and the Group

The Company was incorporated in the Cayman Islands with limited liability on 5 November 2008. The Group is principally engaged in the Shirble Department Store Business and the Shirble Supermarket Business. As of the date of this announcement, the Group owned and operated 19 department stores (including supermarkets), 14 of which are within Shenzhen, the PRC, three in Shanwei (a coastal city in the eastern Guangdong Province), one in Meizhou City (Guangdong Province) and one in Changsha (the capital city of Hunan Province), with a total gross floor area of 342,955 sq. m. The Group currently uses its three business channels, comprising the traditional Shirble Department Store (“歲寶百貨”), standalone “SMART” supermarket and new “Shirble Plaza” business to deliver the Group's goal of “eat better, live better” for customers.

A broad range of merchandise is offered in the Shirble Stores, including food and beverages, clothes, apparel and bedding, daily necessities and cosmetic goods, electronics and home appliances, sporting and stationery goods and children's goods, which enables the Group to capture a diverse range of customers. The Shirble Stores principally target the mid-market segment, aiming to offer its customers with quality merchandise and customer-oriented services, as well as a convenient and comfortable “one-stop” shopping environment.

RESUMPTION OF TRADING OF SHARES

Trading of Shares has been halted since 9:00 a.m. on 15 June 2018 pending the issue of this announcement. The Company has applied to the Stock Exchange for resumption of trading of Shares from 9:00 a.m. on 19 June 2018.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, the capitalised terms used herein shall have the following meanings:

“Alibaba”	means Alibaba Group Holding Limited, a company incorporated in the Cayman Islands with its shares listed on New York Stock Exchange (Symbol: BABA) and an Independent Third Party;
“associate(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Board”	means the board of Directors;
“close associate(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Company”	means Shirble Department Store Holdings (China) Limited (歲寶百貨控股(中國)有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board (stock code 00312);
“Director(s)”	means the director(s) of the Company (including all independent non-executive director(s)) of the Company;
“Effective Date”	means the effective date of the Strategic Cooperation Agreement;

“Food Inventories”	means the food inventories as of the Effective Date currently selling at the Hema Fresh Supermarkets, which will be sold to Hema Technology at cost pursuant to the terms of the Strategic Cooperation Agreement;
“Group”	means the Company and its subsidiaries;
“Hema Fresh Supermarkets”	refers to the 12 selected supermarkets to be open within the Shirble Premises in the name of “Hema Fresh Supermarket (盒馬鮮生)” in the total gross floor areas of 63,652 sq. m., which are currently operated as Shirble Supermarkets;
“Hema Technology”	refers to 盒馬網絡科技有限公司 (Hema Network Technology Company Limited), a company incorporated in the PRC carrying on supermarket business in different cities in the PRC under the brand of Hema Fresh Supermarket (盒馬鮮生) and an Independent Third Party;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means The Hog Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) who/which, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, is/are not connected with the Company or its connected persons;
“Lease Payments”	means the monthly lease payments to be settled by Hema Technology for the use of certain areas in the Shirble Premises as the Hema Fresh Supermarkets;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Sock Exchange of Hong Kong Limited;
“Non-Food Inventories”	means the non-food inventories as of the Effective Date currently selling at the Hema Fresh Supermarkets, which will be sold to Hema Technology at cost pursuant to the terms of the Strategic Cooperation Agreement;
“notifiable transaction(s)”	has the same meanings as set forth in Chapter 14 of the Listing Rules;

“PRC”	means The People’s Republic of China, which for the purpose of this announcement, does not include Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Share(s)”	means issued share(s) of the Company with nominal value of HK\$0.1 each;
“Shareholder(s)”	means the holder(s) of the Share(s);
“Shenzhen Shirble”	means 深圳歲寶百貨有限公司 (Shenzhen Shirble Department Store Co., Ltd.), a company established in the PRC in November 1995 and a wholly-owned subsidiary of Shenzhen Shirble;
“Shirble Department Store Business”	means the business of operating the department store sections in remaining areas other than the Shirble Supermarkets within the Shirble Stores by the Group;
“Shirble Premises”	refers to the 12 leased or owned store premises in Shenzhen, the PRC, in which certain areas are currently used by the Group as Shirble Supermarkets and will be used by Hema Technology as the Cooperative Supermarkets pursuant to the terms of the Strategic Cooperation Framework Agreement;
“Shirble Stores”	refers to the 19 stores in the name of “Shirble Department Store” (歲寶百貨), “Shirble Plaza” (歲寶廣場) or “SMART” in the total gross floor area of 342,955.3 sq. m. in Shenzhen and other cities in Guangdong Province and Hunan Province, the PRC, in which the Shirble Supermarkets are either operated as part of the stores or is operated independently as stand-alone store as of the date of this announcement;

“Shirble Supermarkets”	refers to the existing 19 supermarkets which are either operated within the Shirble Stores or independently as stand-alone stores in the total gross floor area of 82,052 sq. m. in Shenzhen and other cities in Guangdong Province and Hunan Province, the PRC (including 14 in Shenzhen and five in other cities in Guangdong Province and Hunan Province, the PRC);
“Shirble Supermarket Business”	means the business of operating the Shirble Supermarkets by the Group;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Strategic Cooperation Agreement”	means 戰略合作框架協議 (Strategic Cooperation Framework Agreement) dated 15 June 2018 entered into between Hema Technology and Shenzhen Shirble including any supplemental agreement that may be entered into between Hema Technology and members of the Group for the implementation of the business cooperation therein contemplated; and
“sq. m.”	means square metre.

Shareholders and prospective investors of the Company are advised to exercise caution when dealings in the shares of the Company.

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

Hong Kong, 19 June 2018

As of the date of this announcement, the Board is comprised of six Directors, namely 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.