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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board refers to the profit warning announcement of the Company dated 31 July 2013. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2013:-

– Revenue of the Group was RMB696.7 million, representing a slight increase of 1.4% as compared with revenue for the same period in 2012;

– Total gross sales proceeds[(1)] of the Group were RMB1,134.9 million, representing a slight increase of 1.5% as compared with the gross sales proceeds for the same period in 2012;

– Operating loss of the Group was RMB79.3 million as compared with the operating loss of RMB15.5 million for the same period in 2012;

– Loss attributable to the owners of the Company was RMB76.6 million as compared with loss attributable to the owners of the Company of RMB13.8 million for the same period in 2012;

– Basic losses per Share was RMB0.03; and

– Net asset value per Share was RMB0.55.

Notes:

1. Total gross sales proceeds represent the aggregate of the revenue from direct sales and total sales proceeds from concessionaire sales at the Group's department stores plus the reversal of deferred income in respect of long-aged unredeemed pre-paid cards.

For the six months ended 30 June 2013, the Group incurred an operating loss of RMB79.3 million. The loss was principally attributable to (i) the start-up loss incurred by the Group's five department stores opened in the last quarter of 2012 and first quarter of 2013; (ii) the impairment loss and related expenses arising from the reduction in store area in selected department stores in Dongguan, Guangdong Province, the PRC as part of the latest re-assessment by the Group of the market potential in the area; (iii) slight decreases in direct sales and concessionaire commission from existing stores; and (iv) continuous increases in the operating lease rental expenses, administrative expenses, staff cost and other operating cost of the Group as a result of store network expansion.

In view of the fact that the profitability of the Group was under pressure during the six months ended 30 June 2013, the Board is cautiously reviewing the future business development of the Group and believes that the new department stores opened in 2012 and 2013 would generate additional sales following the increased customer base and pedestrian flow in the near future.

I. INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the "**Board**") of directors (the "**Directors**") of Shirble Department Store Holdings (China) Limited (the "**Company**") refers to the profit warning announcement of the Company dated 31 July 2013. The Board wishes to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2013, together with the unaudited comparative figures for the corresponding period in 2012, as follow:-

The unaudited consolidated results of the Group have not been audited, but have been reviewed by the Company's auditor, PricewaterhouseCoopers ("**PwC**"), and the audit committee of the Company (the "**Audit Committee**") of the Board. PwC will issue a qualified conclusion in their review report in respect of the comparability of the cash flow statement for the six months ended 30 June 2012, and extraction of which has been set out in section VI of this announcement.

Condensed Consolidated Income Statement

		For the six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**696,730**	687,083
Other operating revenue	*4*	**51,065**	48,728
Other loss, net	*5*	**(28,009)**	(10,394)
Purchase of and changes in inventories	*6*	**(506,214)**	(488,278)
Employee benefits	*6*	**(98,029)**	(87,328)
Depreciation and amortisation	*6*	**(42,894)**	(24,739)
Operating lease rental expenses	*6*	**(92,119)**	(81,027)
Other operating expenses, net	*6*	**(59,843)**	(59,508)
Operating loss		**(79,313)**	(15,463)
Finance income		**13,563**	12,654
Finance costs		**(950)**	(1,232)
Finance income – net		**12,613**	11,422
Loss before income tax		**(66,700)**	(4,041)
Income tax expense	*7*	**(9,859)**	(9,798)
Loss for the period		**(76,559)**	(13,839)
Loss attributable to:			
Owners of the Company		**(76,559)**	(13,839)
Loss per share for the loss attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic and diluted	*8*	**(0.03)**	(0.01)
Dividends	*9*	**–**	–

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period	**(76,559)**	(13,839)
Other comprehensive income:		
Currency translation differences	**121**	(31)
Other comprehensive income for the period	**121**	(31)
Total comprehensive loss for the period	**(76,438)**	(13,870)
Attributable to:		
Owners of the Company	**(76,438)**	(13,870)

Condensed Consolidated Balance Sheet

	Note	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**540,118**	565,183
Intangible assets		**50,468**	52,273
Deferred income tax assets		**48,298**	48,102
Trade and other receivables	*10*	**147,280**	152,712
		786,164	818,270
Current assets			
Inventories		**220,812**	252,722
Trade and other receivables	*10*	**109,768**	108,075
Bank deposits		**832,725**	617,540
Cash and cash equivalents		**634,524**	1,144,010
		1,797,829	2,122,347
Total assets		**2,583,993**	2,940,617
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**213,908**	213,908
Share premium		**894,338**	894,338
Other reserves		**195,129**	195,008
Retained profits		**58,973**	135,532
Total equity		**1,362,348**	1,438,786

	Note	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**5,750**	4,000
Current liabilities			
Trade and other payables	*11*	**953,544**	1,229,433
Income tax payable		**23,386**	25,143
Borrowings		**238,965**	243,255
		1,215,895	1,497,831
Total liabilities		**1,221,645**	1,501,831
Total equity and liabilities		**2,583,993**	2,940,617
Net current assets		**581,934**	624,516
Total assets less current liabilities		**1,368,098**	1,442,786

Notes to the Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 5 November 2008 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is principally engaged in investment holding. The principal activities of the Group are operating department stores in the PRC.

2. BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2013 has been prepared in accordance with the International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**").

The Directors consider that the Group operates in a single business segment, i.e. operation and management of department stores in the PRC. Accordingly, no segmental analysis is presented.

In previous years, cost of inventories of the Group was determined using the first-in first-out method. On 1 January 2013, the Group decided to change the inventory costing method to weighted average method after reassessment of its inventory turnover pattern. The Directors considered that the change of accounting policy can provide reliable and more relevant financial information.

The Directors had assessed, and concluded that, the impact of the changes in the accounting policy on the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2012 and the consolidated balance sheet as at 31 December 2012, shown as comparatives, is not significant. As a result, no retrospective restatement was made to the comparative financial statements and the change in such accounting policy has been applied prospectively.

3. REVENUE

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Direct sales		**574,013**	574,345
Commission from concessionaire sales		**72,829**	89,905
Rental income	*(i)*	**45,690**	22,833
Income from reversal of long-aged unredeemed prepaid cards		**4,198**	–
		696,730	687,083

(i) The rental income from the leasing of shop premises is analysed as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Sublease rental income	**32,490**	19,593
Contingent rental income	**13,200**	3,240
	45,690	22,833

4. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Promotion administration and management income	**47,676**	37,041
Credit card handling fees for concessionaire sales	**1,735**	11,508
Others	**1,654**	179
	51,065	48,728

5. OTHER LOSS, NET

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Loss on disposal of property, plant and equipment		**(17)**	(38)
Impairment loss for property, plant and equipment	*(a)*	**(20,500)**	(10,000)
Provision for penalty charge	*(a)*	**(7,735)**	–
Others		**243**	(356)
		(28,009)	(10,394)

(a) The amount represented the impairment loss for property, plant and equipment and provision for related expenses arising from the reduction in store area of department stores located in Dongguan, Guangdong Province.

6. EXPENSES BY NATURE

(a) Expenses included in cost of sales, distribution costs and administrative expenses were analysed as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Purchase of and changes in inventories	**506,214**	488,278
Employee benefit	**98,029**	87,328
Depreciation and amortisation	**42,894**	24,739
Operating lease rental expenses	**92,119**	81,027
Auditor's remuneration	**1,076**	3,768
Other operating expenses	**58,767**	55,740
	799,099	740,880

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**10,055**	11,594
Deferred income tax	**(196)**	(1,796)
	9,859	9,798

(a) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(b) Hong Kong profits tax has not been provided for as the Group did not generate any assessable profits in Hong Kong during the period.

(c) The subsidiaries of the Group established in the PRC are subjected to PRC corporate income tax at tax rate of 25%.

8. LOSSES PER SHARE

(a) Basic losses per share

The calculation of basic losses per share (the "**Share**") is based on the consolidated loss attributable to equity shareholders of the Company for the period of RMB76,559,000 (consolidated loss for six months ended 30 June 2012: RMB13,839,000) and the weighted average number of RMB2,495,000,000 (six months ended 30 June 2012: RMB2,495,000,000) shares in issue during the interim period.

(b) Diluted losses per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2013 and 2012, and therefore, the basic and diluted losses per share are the same.

9. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the previous financial year:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB0 cents per share (2012: RMB0.62 cents per share)	**–**	15,469
Special dividend proposed after the reporting period of RMB0 cents per share (2012: RMB2.21 cents per share)	**–**	55,139
	–	70,608

10. TRADE AND OTHER RECEIVABLES

		As at	
		30 June	31 December
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Current portion:			
Trade receivables	*(a)*	**20,712**	23,238
Prepayments	*(b)*	**17,821**	11,129
Deposits		**41,373**	38,395
Amounts due from related parties		**–**	1,935
Other receivables		**7,439**	6,289
Prepaid rental		**15,648**	18,445
Interest receivable		**6,775**	8,644
		109,768	108,075
Non-current portion:			
Prepayments for decoration work	*(b)*	**2,488**	7,920
Prepayments for acquisition of a property in Lufeng	*(b)*	**144,792**	144,792
		147,280	152,712
		257,048	260,787

(a) Trade receivables

Retail sales to individual consumers are usually settled in cash, or by major credit/debit cards. The Group has a policy of allowing a credit period ranging from 0–60 days to its corporate customers depending on the customers' relationship with the Group, their credit worthiness and settlement records.

The ageing analysis of the trade receivables of the Group based on invoice date or the time from the initial recognition of receivables is as follows:

	As at 30 June 2013 *RMB'000*	As at 31 December 2012 *RMB'000*
0–30 days	**16,766**	14,609
31–90 days	**2,724**	7,152
91–365 days	**1,222**	1,477
	20,712	23,238

All trade and bills receivables are denominated in RMB and their carrying amounts approximated their fair values as at the balance sheet date.

As at 30 June 2013, trade receivables of RMB20,712,000 were fully performing (at 31 December 2012: RMB23,238,000).

(b) Prepayments (current and non-current portions)

	Notes	As at 30 June 2013 *RMB'000*	As at 31 December 2012 *RMB'000*
Prepayments for decoration work	*(i)*	**2,488**	7,920
Prepayments for purchase of merchandise	*(ii)*	**17,821**	11,129
Prepayments for acquisition of a property in Lufeng	*(iii)*	**144,792**	144,792
		165,101	163,841

(i) The balance as at 30 June 2013 and 31 December 2012 represented the prepayments for decoration work for a department store of the Group.

(ii) The balance as at 30 June 2013 and 31 December 2012 represented prepayments made to suppliers.

(iii) The balance as at 30 June 2013 and 31 December 2012 represented a prepayment for the acquisition of a property in Lufeng, Guangdong Province, the PRC.

11. TRADE AND OTHER PAYABLES

	Notes	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Trade payables	*(a)*	**246,187**	400,398
Rental payables		**163,820**	145,194
Other tax payables		**24,797**	35,292
Deferred income		**27,991**	34,934
Accrued wages and salaries		**20,407**	26,421
Amount due to related parties		**1,670**	3,170
Advances from suppliers		**5,970**	5,970
Advances received from customers	*(b)*	**363,362**	409,259
Dividend payable		**575**	70,608
Deposits		**43,412**	52,724
Provisions		**11,654**	4,369
Other payables and accruals		**43,699**	41,094
		953,544	1,229,433

All trade and other payables are denominated in RMB and their carrying amounts approximated their fair values as at the balance sheet date.

(a) The aging analysis of the trade payables of the Group was follows:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
0 – 30 days	**80,677**	26,399
31 – 60 days	**79,210**	90,767
61 – 90 days	**16,352**	111,326
91 – 365 days	**28,987**	124,905
1 year – 2 years	**24,307**	28,960
2 years – 3 years	**16,194**	17,585
Over 3 years	**460**	456
	246,187	400,398

(b) The amount mainly represented cash received for prepaid card sold.

12. CAPITAL COMMITMENTS

(a) Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	**63,337**	62,484

(b) Operating lease commitments – the Group as the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Land and buildings:		
Not later than 1 year	**175,800**	170,186
Later than 1 year and not later than 5 years	**798,380**	705,101
Over 5 years	**1,877,703**	1,704,080
	2,851,883	2,579,367

The Group leases a number of properties under operating leases in respect of retail shops, offices and warehouses. The leases typically run for a period of 7 to 22 years, with an options to renew the leases but the all terms should be subject to renegotiation. None of the leases includes contingent rentals.

(c) Operating lease commitments – the Group as the lessor

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	As at	
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Land and buildings:		
Not later than 1 year	**36,857**	33,065
Later than 1 year and not later than 5 years	**68,452**	60,439
Over 5 years	**28,735**	35,526
	134,044	129,030

II. MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

With the first half of 2013 behind us, it is clear that economic growth in the PRC has continued to be restrained. This follows modest GDP expansion of 7.5% year-on-year for the second quarter of 2013, slipping from 7.9% for the final three months of 2012. In light of the economic slowdown, the consumption sentiment of general public has become more cautious, and this has led to a slow growth in the local retail market in the PRC. Competition among the industry players remained keen, and the Group cannot avoid the adverse consequence as one of the key players in the industry.

BUSINESS REVIEW

Store network expansion

In view of the slowing down of economic growth with intensified competition in the industry, the first half of 2013 was a difficult period for the Group. The Group's priority remains in maintaining its leading presence in Shenzhen while strategically expanding its reach. To align with its business expansion strategy into second and third tier cities, the Group opened the Xingning Store with GFA of 23,996.0 sq.m. in Meizhou City, Guangdong Province, the PRC, in January 2013. Nevertheless, given the profitabilities and performance in different regions (especially new markets), the senior management of the Group is constantly reassessing the market potential of these markets and closely monitoring new stores' performance in order to shorten their start-up stage. The Group's store opening plan is also slowed down.

As of 30 June 2013, the Group operated a total of 22 department stores, 13 of which are within Shenzhen, four in Dongguan, three in Shanwei, one in Meizhou and one in Changsha. These 22 stores amount to a total GFA of 388,461.7 sq.m., which represents a 6.6% increase from the GFA of 364,465.7 sq.m. in operation as of 31 December 2012.

Strategic alliances

Although a more cautious store opening approach has been adopted, the Group has entered into strategic alliances with various business partners engaging in property development in the PRC as a means to create a healthy store pipeline. Under the agreements entered into between the Group and these business partners, the Group would have first right to lease properties for the operation of department stores, and the Group would provide support in research, evaluation, positioning, pre-operating projection planning and exterior and interior designs for operating the department stores.

Enhancement of the distribution network and upgrade of the information technology system

With the implementation and continued enhancement of the Group's information and technology system, increasing functions including financial analysis modules, logistics and point-of-sale (POS) management operations were added.

Complied with the full operation of the new distribution centre opened in April 2012, the Group's overall operation and management efficiency is improved, which will assist the Group to continue with an expanded network supported by a more cost-efficient and sales-effective system.

Business outlook

Despite a general slowdown in the economy, the Directors remain cautiously optimistic on the retail market of the PRC. It is believed that the PRC central government will continue to implement favourable economic policies to stimulate domestic consumption, which will consequently help stabilise development of the retail sector. Hence, the Group will continue its twofold strategy, which involves further enhancement of the market presence in Shenzhen and exploration of the opportunities in second and third-tier cities in Guangdong Province that have benefited from rapid urbanisation continuously.

In the first half of 2013, the Group entered into agreements for the rental of (i) a five-storey building in Yangxi City with GFA of 33,427.8 sq.m. in March 2013; (ii) a three-storey building in Shenzhen with GFA of 8,817.0 sq.m. in May 2013 and (iii) a five-storey building in Shenzhen with GFA of 28,000.0 sq.m. in May 2013. Amidst the uncertainties lying ahead, these stores will be opened in late 2013 or later years depending on market sentiment.

In addition, the Group is also reviewing product and business composition, such as increasing the portion of direct sales in fresh food sector to enhance product variety and implementing the exchange for product couponing system to improve pedestrian flow.

CONCLUSION

The Board would like to take this opportunity to express its sincere gratitude to the management team and the entire Shirble workforce for their dedication and tireless efforts. Certainly, all of the Group's partners and customers must also be lauded for their unwavering support. The Board wishes to further thank all of the shareholders and investors of the Company for their confidence in the Group. We are confident that Shirble will continue to achieve steady progress and deliver fair value to all of its shareholders.

III. FINANCIAL REVIEW

Total gross sales proceeds

During the six months ended 30 June 2013, the Group's total gross sales proceeds (representing the aggregate of the revenue from direct sales of the Group and total sales proceeds from concessionaire sales at the Group's department stores plus the reversal of deferred income in respect of long-aged unredeemed prepaid cards) were RMB1,134.9 million, representing a slight increase of 1.5% from RMB1,118.6 million in the same period of 2012. The slight increase was principally due to the recognition of the deferred income in respect of the long-aged unredeemed pre-paid gift cards for the six months ended 30 June 2013 where no such amount was recognized for the same period in 2012.

Revenue generated from direct sales of the Group amounted to RMB574.0 million and the total sales proceeds from concessionaire sales amounted to RMB556.7 million, accounting for 50.6% and 49.1%, respectively, of the Group's total gross sales proceeds for the six months ended 30 June 2013. For the same period in 2012, revenue from direct sales amounted to RMB574.3 million, while the total sales proceeds from concessionaries sales amounted to RMB544.3 million, accounted for 51.3% and 48.7% respectively of the Group's total gross sales proceeds. The decrease was principally attributable to the decrease in direct sales and concessionaire sales generated from existing department stores amid intense competition and overall economic slowdown.

The following table sets forth the Group's total gross sales proceeds divided by the principal product categories:

	For the six months ended 30 June			
	2013		2012	
	RMB' million	***(%)***	*RMB' million*	*(%)*
	(unaudited)		(unaudited)	
Electronics and home appliances	**130.7**	**11.5**	108.5	9.7
Clothes, apparel and bedding	**272.6**	**24.0**	280.9	25.1
Children's goods	**29.1**	**2.6**	32.1	2.9
Sporting and stationery goods	**27.8**	**2.4**	29.2	2.6
Food and beverages	**499.5**	**44.0**	484.3	43.3
Daily necessities and cosmetic goods	**171.0**	**15.1**	183.6	16.4
Income from reversal of long-aged pre-paid gift cards	**4.2**	**0.4**	–	–
	1,134.9	**100.0**	1,118.6	100.0

Revenue

The Group's revenue amounted to RMB696.7 million for the six months ended 30 June 2013, representing a slight increase of 1.4% as compared to RMB687.1 million in the same period of 2012. The slight increase was principally due to the increase in rental income from new department stores opened in the second half of 2012 and early 2013, with strategy to increase sublease area, as well as the recognition of income from reversal of long-aged pre-paid cards during the six months ended 30 June 2013. No such amount was recognised for the same period in 2012. The increase was offset by the decrease in the commission generated from the concessionaire sales and direct sales at the existing department stores amid intense competition and overall economic slowdown.

Direct sales remained stable at RMB574.0 million for the six months ended 30 June 2013 from RMB574.3 million in the same period of 2012, principally due to the decrease in sales in existing stores amid intense competition and overall economic slowdown, mitigated by the increase in direct sales from new stores. Direct sales as a percentage of the Group's total revenue was 82.4% for the six months ended 30 June 2013 as compared to 83.6% in the same period of 2012.

Commission from concessionaire sales decreased by 19.0% to RMB72.8 million for the six months ended 30 June 2013 from RMB89.9 million in the same period of 2012, resulting from more advertising and promotion campaigns mainly due to the intense market competition in Shenzhen, and the relatively lower commission rate offered in new stores to attract concession counters. The commission rate of concessionaire sales was 13.1% as compared to 16.5% in the same period of 2012. Commission from concessionaire sales as a percentage of the Group's total revenue was 10.5% for the six months ended 30 June 2013 as compared to 13.1% in the same period of 2012.

Rental income increased substantially by 100.4% to RMB45.7 million for the six months ended 30 June 2013 from RMB22.8 million in the same period of 2012, mainly due to the increase in sublease area at new stores for complementary facilities. Rental income as a percentage of the Group's total revenue was 6.6% for the six months ended 30 June 2013 as compared to 3.3% in the same period of 2012.

Other operating revenue

Other operating revenue increased by 4.9% to RMB51.1 million for the six months ended 30 June 2013 from RMB48.7 million in the same period of 2012, mainly due to the contribution from the new department stores opened in the second half of 2012 and early 2013.

Other loss, net

Other net loss amounted to RMB28.0 for the six months ended 30 June 2013 as compared with other net loss of RMB10.4 million in the same period of 2012. The impairment loss and related expenses of RMB28.2 million was recognized in the first half of 2013 as a result of the reduction in store area in selected department stores in Dongguan, Guangdong Province, the PRC, as part of the latest re-assessment by the Group of the market potential in the area. Other net loss of RMB10.4 million was recognized in the same period of 2012 mainly for the impairment loss of a property in Luhe County.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB506.2 million for the six months ended 30 June 2013, representing a slight increase of 3.7% as compared with RMB488.3 million in the same period of 2012, primarily due to the new stores opened in the second half of 2012 and early 2013. As a percentage of revenue from direct sales, purchase of and changes in inventories was 88.2% for the six months ended 30 June 2013 as compared with 85.0% in the same period of 2012 as the profit margin of direct sales for new stores are comparatively lower in their start up stage.

Employee benefit

Employee benefit increased by 12.3% to RMB98.0 million for the six months ended 30 June 2013 from RMB87.3 million in the same period of 2012, primarily due to the increase in monthly salary and social security benefits during the period and the increase in headcounts for the five new stores opened in the second half of 2012 and early 2013, offset by the restructuring of staff composition in old stores.

Depreciation and amortisation

Depreciation and amortisation increased by 73.7% to RMB42.9 million for the six months ended 30 June 2013 from RMB24.7 million in the same period of 2012 which was principally attributable to the launch of the information technology system, increase in leasehold improvements and machinery for the new stores and the acquisition of new properties in Haifeng and Luhe County in late 2011 and 2012.

Operating lease rental expenses

Operating lease rental expenses increased by 13.7% to RMB92.1 million for the six months ended 30 June 2013 from RMB81.0 million in the same period of 2012. The increase was principally attributable to the rental expenses of a new distribution centre in Shenzhen and the new department stores, namely the Hongfa Store in Shenzhen and Xingning Store in Meizhou respectively.

Other operating expenses

Other expenses, which principally comprised of utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges and maintenance expenses, remained relatively constant as compared to RMB59.8 million for the six months ended 30 June 2013 from RMB59.5 million in the same period of 2012.

Operating loss

As a result of the reasons mentioned above, the Group's operating loss amounted to RMB79.3 million for the six months ended 30 June 2013 as compared with the operating loss of the Group of RMB15.5 million in the same period of 2012.

Finance income

Finance income increased by 7.1% to RMB13.6 million for the six months ended 30 June 2013 from RMB12.7 million in the same period of 2012 which was primarily attributable to the higher interest income earned from bank deposits.

Finance costs

Finance costs decreased by 16.7% to RMB1.0 million for the six months ended 30 June 2013 from RMB1.2 million in the same period of 2012 which was primarily attributable to the decrease in borrowing principal as a result of the favourable change in exchange rate.

Income tax expense

Income tax expense amounted to RMB9.9 million for the six months ended 30 June 2013, representing a slight increase of 1.0% from RMB9.8 million in the same period of 2012. The effective tax rate applicable to the Group for the six months ended 30 June 2013 was 25.0%. In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by subsidiaries established in China. The applicable tax rate for the Group is 5%.

Loss attributable to equity shareholders of the Company

As a result of the aforementioned, loss attributable to equity shareholders of the Company amounted to RMB76.6 million for the six months ended 30 June 2013 as compare with the loss of RMB13.8 million in the same period of 2012.

IV. INTERIM DIVIDEND

In view of the loss incurred for the six months ended 30 June 2013 and the working capital requirements for the business expansion of the Group, the Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

V. LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2013, the Group's cash and cash equivalents amounted to RMB634.5 million, decreased by RMB509.5 million from RMB1,144.0 million as of 31 December 2012. The cash and cash equivalents, which were in Hong Kong dollars and Renminbi, were deposited with banks in Hong Kong and the PRC as short-term deposits for interest income.

As of 30 June 2013, the Group's bank deposits amounted to RMB832.7 million, increased by RMB215.2 from RMB617.5 million as of 31 December 2012. The bank deposit which were in RMB, were deposited with banks in Hong Kong as long-term fixed deposits for interest income, in which RMB387.2 million (31 December 2012: RMB387.0 million) were pledged to bank as restricted bank deposit to secure borrowings.

As of 30 June 2013, the Group's outstanding bank borrowings amounted to RMB239.0 million (31 December 2012: RMB243.3 million). The borrowings are denominated in Hong Kong dollars with average interest rate of 0.881% per annum (31 December 2012: 1.005%). The gearing ratio of the Group expressed as a percentage of interest-bearing bank loans over the total assets was 9.2% as of 30 June 2013. The Group will continue to review its cash flow position and renew the bank borrowings when necessary.

Net current assets and net assets

The net current assets of the Group as of 30 June 2013 were RMB581.9 million (31 December 2012: RMB624.5 million), representing a decrease of RMB42.6 million. The net assets of the Group as of 30 June 2013 decreased to RMB1,362.3 million (31 December 2012: RMB1,438.8 million), representing a decrease of 5.3%.

Foreign exchange exposure

The business operations of the Group is primarily in the PRC with most of its transactions settled in Renminbi. Certain of the Group's cash and bank balances are denominated in Hong Kong dollars and the Company paid dividends in Hong Kong dollars which exposed the Group to foreign exchange risks arising from the exchange of Hong Kong dollars against RMB. For the six months ended 30 June 2013, the Group recorded a net foreign exchange loss of RMB3.3 million. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Employees and remuneration policy

As of 30 June 2013, the total number of employees of the Group was 2,428. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees.

Contingent liabilities

As at 30 June 2013, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries

There are no material acquisition and disposal of subsidiaries and associated companies during the period under review.

Use of net proceeds

On 17 November 2010, the Shares were listed on the main board of the Hong Kong Stock Exchange and the Group raised net proceeds of approximately HKD1,313.4 million (after deducting underwriting fees and related expenses). During the six months ended 30 June 2013, approximately RMB27.6 million out of net proceeds was used for the opening and decoration of Xingning Store. Up to 30 June 2013, the Group had utilised RMB258.6 million of the net proceeds and such utilization was made in accordance with the proposed allocation set out in the prospectus of the Company dated 25 June 2010.

VI. EXTRACT OF THE AUDITORS' QUALIFIED CONCLUSION TO BE INCLUDED IN THE AUDITORS' REVIEW REPORT

The following is an extract of the Auditors' Review Report on the Group's unaudited consolidated interim results for the six months ended 30 June 2013:

"Basis of Qualified Conclusion

The interim financial information of the Group for the six-month period ended 30 June 2012 was reviewed by another firm of auditors whose report dated 29 January 2013 expressed a qualified conclusion.

The previous firm of auditors was unable to obtain sufficient audit evidence to verify the nature of certain prepayments as well as advances from suppliers and as to whether they were properly accounted for and disclosed in the consolidated financial statements as at 31 December 2011 in accordance with the substance of their nature. The aforesaid prepayments as well as advances from suppliers had been refunded and were part of the Group's cash flows for the six-month period ended 30 June 2012. The previous firm of auditors had been unable to determine whether any adjustments were necessary in respect of the cash flows from investing activities and cash flows from operating activities reported in the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2012.

Our conclusion on the current period's interim financial information is modified because of the possible effects of the above-mentioned matter on the comparability of the current period's figures and the corresponding figures in the interim condensed consolidated statement of cash flows.

Qualified Conclusion

Except for the possible effects of the matter on the comparability, as described in the Basis of Qualified Conclusion paragraphs, based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting."

VII. AUDIT COMMITTEE

As of the date of this announcement, the Audit Committee comprises of four independent non-executive Directors, namely, Ms. Zhao Jinlin (chairman), Mr. Chen Fengliang, Mr. Jiang Hongkai and Mr. Fok Hei Yu. The Audit Committee has been established to review the financial reporting process and evaluate the effectiveness of internal control procedures of the Group. During the period, the Audit Committee has held meetings with management and external auditors and internal control consultant to discuss on the auditing, internal controls and financial reporting matters of the Company, and to review on the Group's internal control and unaudited interim results for the six months ended 30 June 2013.

VIII. CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate governance practices

The Company is committed to achieving and maintaining high standards of corporate governance. In the opinion of the Directors, throughout the six months ended 30 June 2013, the Company has complied with the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") except Code Provision A.6.7 of the CG Code which provides that the independent non-executive directors and non-executive directors should attend general meetings of the Company. Due to other prior business engagements, one independent non-executive director was not able to attend the annual general meeting and the extraordinary general meeting of the Company held on 30 January 2013 and 21 February 2013 respectively.

The Board and the Audit Committee reviewed the Group's material controls, including financial, operational and compliance controls and risk management functions. The Board also assessed the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting function, and their training programs and budget. In January 2013, the Group appointed a reputable accounting firm to conduct a review on the Group's internal control which has been completed in late March 2013 and reported its findings to the Audit Committee and the Board in April 2013. The Audit Committee has followed up with the findings and implemented the suggestions from the accounting firm during the period.

The enhancement of the internal controls measures will also continue to be monitored by the internal audit department and the Chief Executive Officer of the Group. The internal audit department will periodically report their review and findings on the Group's internal controls to the Audit Committee and the Board.

IX. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

X. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code during the six months ended 30 June 2013.

XI. PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of Stock Exchange and the Company. The interim report for the six months ended 30 June 2013 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 August 2013

As at the date of this announcement, the Board comprised Mr. YANG Xiangbo (Chairman) and Mr. LI KuanSen (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.