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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Board refers to the profit warning announcement of the Company dated 10 January 2014. The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2013:–

- Revenue of the Group was RMB1,356.5 million, representing a slight decrease of 1.1% as compared with the revenue of RMB1,372.0 million in 2012;
- Total gross sales proceeds(1) of the Group were RMB2,348.4 million, representing an increase of 5.7% as compared with the gross sales proceeds of RMB2,222.9 million in 2012;
- Loss before finance costs and tax of the Group was RMB242.3 million as compared with loss before finance costs and tax of RMB47.3 million in 2012;
- Loss attributable to the owners of the Company was RMB219.5 million as compared with the loss attributable to the owners of the Company of RMB45.8 million in 2012;
- Basic loss per Share was RMB0.09; and
- Net asset value per Share was RMB0.49.

Note:

(1) The 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 prepaid cards.

In 2013, the Group incurred a loss before finance costs and tax of RMB242.3 million because of two reasons. First, there was an one-off impairment loss and related expenses of RMB160.7 million arising from the closure/under-performance of certain department stores in Dongguan, Guangdong Province. These department stores incurred operating losses, and they did not contribute meaningful portion of the revenue to the Group. The Directors therefore decided to close these department stores as part of the strategic planning of the Group. Second, the new department stores opened in 2012 and 2013 incurred operating losses. The revenue generated by these new department stores have yet to reach the levels to cover the operating expenses.

Followed by the closure of selected department stores in Dongguan, the Directors expect that the profitability of the Group would be improved. The Directors also believe that the performance of the new department stores of the Group would be improved in the near future with strengthened promotional campaigns and activities launched by the Group.

In view of the loss incurred by the Group for the year ended 31 December 2013 and the working capital requirements for the business operation of the Group, the Board does not recommend any final or special dividend for the year ended 31 December 2013 (2012: Nil).

I. FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 10 January 2014. The following sets forth the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012. The Company's auditors (the "**Auditors**"), PricewaterhouseCoopers, will issue a qualified opinion in their auditor's report in respect of the comparability of the cash flow statement for the year ended 31 December 2012, an extract of which has been set forth in section VII of this announcement.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	3	**1,356,502**	1,372,030
Other operating revenue	4	**110,317**	117,135
Other loss, net	5	**(153,836)**	(14,091)
Purchase of and changes in inventories	6	**(992,297)**	(959,194)
Employee benefits	6, 7	**(190,029)**	(192,309)
Depreciation and amortisation	6	**(63,317)**	(57,105)
Operating lease rental expenses	6	**(186,498)**	(166,372)
Other operating expenses, net		**(123,147)**	(147,424)
Loss before finance costs and tax		**(242,305)**	(47,330)
Finance income	8	**27,194**	27,439
Finance costs	8	**(2,080)**	(2,784)
Finance income – net	8	**25,114**	24,655
Loss before income tax		**(217,191)**	(22,675)
Income tax expense	9	**(2,324)**	(23,104)
Loss for the year		**(219,515)**	(45,779)
Loss attributable to:			
Owners of the Company		**(219,515)**	(45,779)
Loss per share for the loss attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic and diluted	10	**(0.09)**	(0.02)
Dividends	11	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Loss for the year	**(219,515)**	(45,779)
Other comprehensive income:		
Item that may be reclassified to profit or loss		
Currency translation differences	**198**	4
Other comprehensive income for the year	**198**	4
Total comprehensive loss for the year	**(219,317)**	(45,775)
Attributable to:		
Owners of the Company	**(219,317)**	(45,775)

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**453,841**	565,183
Intangible assets		**21,618**	52,273
Deferred income tax assets		**54,134**	48,102
Trade and other receivables	*12*	**150,920**	152,712
		680,513	818,270
Current assets			
Inventories		**219,935**	252,722
Trade and other receivables	*12*	**81,200**	108,075
Bank deposits		**919,007**	617,540
Cash and cash equivalents		**626,291**	1,144,010
		1,846,433	2,122,347
Total assets		**2,526,946**	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		**196,733**	195,008
(Accumulated loss)/Retained profits		**(85,510)**	135,532
Total equity		**1,219,469**	1,438,786

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**–**	4,000
Current liabilities			
Trade and other payables	*13*	**1,044,445**	1,229,433
Income tax payable		**27,163**	25,143
Borrowings		**235,869**	243,255
		1,307,477	1,497,831
Total liabilities		**1,307,477**	1,501,831
Total equity and liabilities		**2,526,946**	2,940,617
Net current assets		**538,956**	624,516
Total assets less current liabilities		**1,219,469**	1,442,786

NOTES TO THE 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

These annual financial statements for the year ended 31 December 2013 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, after reassessment of the inventory turnover pattern of the Group, decided to change the inventory costing method to weighted average method. The Directors considered that the Group can provide more reliable and relevant financial information with the change in this accounting policy.

The Directors had assessed the impact of the changes in accounting policy and concluded that the impact on the financial statements for the year ended 31 December 2012 is not significant. As a result, no retrospective restatement was made to the comparative financial statements and the new accounting policy was applied prospectively.

3. REVENUE

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Direct sales		**1,121,355**	1,116,020
Commission from concessionaire sales		**163,054**	184,836
Rental income	*(i)*	**62,267**	51,935
Income from reversal of long-aged unredeemed prepaid cards		**9,826**	19,239
		1,356,502	1,372,030

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Sublease rental income	**53,187**	43,798
Contingent rental income	**9,080**	8,137
	62,267	51,935

4. OTHER OPERATING REVENUE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Promotion, administration and management income	**106,890**	97,389
Credit card handling fees for concessionaire sales	**1,584**	18,191
Others	**1,843**	1,555
	110,317	117,135

5. OTHER LOSS, NET

		2013	2012
	Note	***RMB'000***	*RMB'000*
Impairment loss for property, plant and equipment and intangible assets	*(i)*	**(139,158)**	(10,000)
Penalty for cancellation of lease contracts	*(i)*	**(21,509)**	–
Provision for prepayment and other receivables	*12(ii)(iii)*	**(1,149)**	–
Provision for legal claims		**(715)**	(4,369)
Loss on disposal of property, plant and equipment		**(633)**	(677)
Write back of allowance for tendering deposit	*12(iii)*	**10,000**	–
Others		**(672)**	955
		(153,836)	(14,091)

(i) During the year ended 31 December 2013, the Group decided to close certain department stores in Dongguan, Guangdong Province. The Group also assessed the performance of other stores and made allowance for impairment on certain unprofitable stores. The Group recognised impairment loss of RMB139,158,000 against property, plant and equipment and intangible assets and penalty charge of RMB 21,509,000 as a result of cancellation of lease contracts of the certain department stores to be closed.

6. EXPENSES BY NATURE

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Purchases of and changes in inventories	**992,297**	959,194
Employee benefits	**190,029**	192,309
Depreciation and amortisation	**63,317**	57,105
Operating lease rental expenses	**186,498**	166,372
Utilities	**51,925**	51,781
Auditor's remuneration		
– Audit services	**5,267**	8,600
– Non-audit services	**635**	900
Other expenses	**65,320**	86,143
	1,555,288	1,522,404

7. EMPLOYEE BENEFITS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Wages and salaries	**172,404**	175,081
Social security costs	**16,876**	14,499
Others	**749**	2,729
	190,029	192,309

8. FINANCE INCOME, NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**27,194**	27,439
Finance costs		
Interest expenses	**(2,080)**	(2,784)
Finance income, net	**25,114**	24,655

9. INCOME TAX EXPENSES

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**8,356**	26,991
Deferred income tax	**(6,032)**	(3,887)
	2,324	23,104

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the statutory tax rates applicable to the subsidiaries comprising the Group as follows:

	2013	2012
	RMB'000	*RMB'000*
Loss before income tax	**(217,191)**	(22,675)
Tax calculated at a tax rate of 25% (2012: 25%)	**(54,298)**	(5,669)
Tax impact of:		
– Expected profits distribution	**–**	1,459
– Expenses not deductible for tax purposes	**5,908**	8,127
– Unrecognised tax loss	**50,714**	19,187
Income tax expense	**2,324**	23,104

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

(ii) Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(iii) The applicable income tax rate is 25% for all subsidiaries in the PRC.

10. LOSS PER SHARE

(i) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
	RMB'000	*RMB'000*
Loss attributable to equity holders of the Company	**(219,515)**	(45,779)
Weighted average number of ordinary shares in issue (thousands)	**2,495,000**	2,495,000
Basic loss per share (RMB per share)	**(0.09)**	(0.02)

(ii) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted loss per share is not applicable as there were no dilutive potential ordinary shares during the financial year and the previous financial year.

11. DIVIDENDS

Dividends payable to owners of the Company attributable to the previous financial year, approved during the year:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB nil cents per Share (2012: RMB0.62 cents per Share)	**–**	15,469
Special dividend proposed after the reporting period of RMB nil cents per Share (2012: RMB2.21 cents per Share)	**–**	55,139
	–	70,608

The Directors do not recommend any final dividend of the Company for the year ended 31 December 2013 (2012: Nil).

12. TRADE AND OTHER RECEIVABLES

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
Current portion:			
Trade receivables	*(i)*	**13,224**	23,238
Prepayments	*(ii)*	**9,420**	11,129
Leased deposits		**34,141**	38,395
Amounts due from related parties		**–**	1,935
Other receivables	*(iii)*	**3,992**	6,289
Prepaid rental		**5,935**	18,445
Interest receivables		**14,488**	8,644
		81,200	108,075
Non-current portion:			
Prepayments for acquisition of a property in Lufeng		**144,792**	144,792
Prepayments for construction project		**5,518**	–
Prepayments for decoration work		**610**	7,920
		150,920	152,712
		232,120	260,787

(i) 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 31 December 2013 RMB'000	2012 RMB'000
0-30 days	**9,523**	14,609
30-90 days	**2,554**	7,152
91-365 days	**1,147**	1,477
	13,224	23,238

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

As at 31 December 2013, trade receivables of RMB13,224,000 were fully performing (2012: RMB23,238,000).

(ii) Prepayments (current portion)

	2013	2012
	RMB'000	*RMB'000*
Prepayments	**9,917**	11,129
Allowance for impairment	**(497)**	–
	9,420	11,129

(iii) Other receivables

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Other receivables	**4,644**	16,289
Allowance for impairment	**(652)**	–
Allowance for recoverability of tendering deposit *(Note)*	**–**	(10,000)
Total	**3,992**	6,289

Note:

In December 2011, the Group paid RMB10.0 million as a deposit for the tendering of a project in Dongguan, Guangdong Province to the local government. The Group's tender has been accepted by the local government, but details of the terms of the agreement were under negotiation and a formal agreement was yet to be entered into till 31 December 2012. In view of the uncertainty of the project, an allowance has been made in 2011. The tendering deposit has been fully refunded in 2013, and hence the related allowance was reversed in 2013.

13. TRADE AND OTHER PAYABLES

		As at 31 December	
		2013	2012
	Note	*RMB'000*	*RMB'000*
Trade payables	*(i)*	**304,046**	400,398
Rental payables		**180,969**	145,194
Other taxes payable		**12,857**	35,292
Deferred income	*(ii)*	**33,010**	34,934
Accrued wages and salaries		**22,701**	26,421
Amount due to related parties		**81**	3,170
Advances from suppliers		**5,970**	5,970
Advances received from customers	*(iii)*	**382,142**	409,259
Other payables and accruals		**102,669**	98,187
Dividend payable		**–**	70,608
		1,044,445	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.

(i) The ageing analysis of the trade payables of the Group is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
0 – 30 days	**124,418**	26,399
31 – 60 days	**69,091**	90,767
61 – 90 days	**15,413**	111,326
91 – 365 days	**51,902**	124,905
1 year – 2 years	**35,843**	28,960
2 years – 3 years	**7,128**	17,585
Over 3 years	**251**	456
	304,046	400,398

(ii) The amount mainly represented the carrying value of unredeemed awarded credits.

(iii) The amount mainly represented cash received for prepaid cards sold.

14. CAPITAL COMMITMENTS

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	**69,714**	62,484

II. MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2013, the China economy grew modestly and was primarily driven by national investments in infrastructure. The growth in domestic consumption continues to be slow. According to the "*Consumer Market Development Report 2013*" published by the Ministry of Commerce, the growth in retail sales of consumer goods in China in 2013 was amongst the lowest as compared with the previous years. There were no new consumption stimulus policies announced by the PRC government. More importantly, the reduction in the government and extravagant spending contributed to the sluggish market conditions. Because of the slow economic growth and the fierce competition in the already fragmented market, the year of 2013 was a difficult year for retail business in tier-one cities, albeit that the consumption spending of the middle class in those cities continued to increase.

Notwithstanding the slow growth in tier-one cities, the accelerating urbanisation of the rural areas significantly improve the performance of retail market amongst the second-tier or third-tier cities in China and the rural areas. The city lifestyle and mindset are increasingly accepted by the rural population, and consumers nowadays pursue a high-quality lifestyle with high requirements on food safety and quality purchases from branded supermarkets and department stores. The urbanisation creates attractive opportunities for branded retailers which are able to deliver high quality goods and services that meet the consumers' growing demand.

BUSINESS REVIEW

Strategic and cautious network expansion plan

In light of the changing market conditions, the Group uses a twofold strategy for the objective to maintain its competitiveness. While the Group is subject to the adverse business environment in the retail market in Shenzhen – one of the most competitive tier-one cities in China, the Group, being one of the established branded department stores in Shenzhen, has been constantly reviewing the business strategies with the goal of strengthening its market position and market share for its existing stores. The Group has also gradually expanded its department store network to second-tier or third-tier cities at which the growth potential of retail business is expected to grow at a higher pace.

From 2011 to 2012, the Group opened eight new stores, with two in Shenzhen, four in Dongguan and two in Shanwei. In January and September 2013, the Group opened the Xingning Store with GFA of 23,996.0 sq.m. in Meizhou City, Guangdong Province, and the Dapeng Store with GFA of 8,817.0 sq.m. in Shenzhen.

Since most of these new stores are of relatively short operating history, the revenue generated by these stores have yet to reach such levels to cover the operating expenses. The profitability of the Group has therefore been adversely affected. In particular, in Dongguan, as part of the Group's initial effort to tap new markets, the Group encountered worse-than-expected market conditions in 2013. The department stores of the Group in Dongguan incurred operating losses and were only able to contribute an insignificant percentage of revenue to the Group. Following re-assessment of the future market conditions, the Directors decided to reduce its market presence in Dongguan gradually. As a result, an one-off impairment loss and related expenses were recognised in 2013 – as a result of the closure/under-performance of certain department stores in Dongguan. Nevertheless, the Directors continue to believe in its expansion strategy in lower-tier cities in China, and are confident in the growth prospects of Shanwei and Meizhou. The Group will also conduct more extensive marketing analysis and studies before penetrating into new city markets.

As of 31 December 2013, the Group had a total of 21 department stores in operation, with a total GFA of 338,382.2 sq.m., representing a decrease of 7.2% when compared with a total of 21 department stores and a total GFA of 364,465.7 sq.m. for the corresponding period of 2012.

Strategic alliances with suppliers and concessionaires

The Group has forged strategic alliances with certain suppliers and concessionaires, enabling the Group to procure branded products more effectively to better attract customers, as well as to provide concessionaires with preferential priority in setting up concession counters in the Group's stores. All of these efforts aimed at stabilizing product sourcing and optimizing the product mix so as to satisfy the range of needs and preferences of various customer segments and to focus on promoting quality locally-branded products.

Upgrade of the information technology system and enhancement of internal control procedures

With the implementation of the Group's information and technology system, functions including financial analysis modules, logistics and point-of-sale (POS) management operations have been added and enhanced continually. Coupled with the enhancement of internal control procedures, overall operational and management efficiency have been improved. The Group is also exploring the use of office automation (OA) system to further promote efficiency and corporate governance environment.

Change of senior management

In September 2013, Mr. Yang Ti Wei ("**Mr. Yang**") was appointed as the Chief Executive Officer and executive Director of the Group following the resignation of Mr. Li Kuansen. Mr. Lam Man Tin was appointed as the CEO strategist to assist the new Chief Executive Officer of the Group to establish and execute the overall corporate strategies of the Group.

Mr. Yang has been the executive vice president of the Group since 2009, while Mr. Lam served as the managing director of Aeon Stores (Hong Kong) Co. Limited (Stock code: 984) from May 2006 to May 2012. The Directors believe that the new management team's expertise and experiences will help support the business development of the Group.

BUSINESS OUTLOOK

Despite a general slowdown in the retail business sector in the PRC, the Directors remain cautiously optimistic about the continuous business development. The PRC government is expected to continue to implement favorable policies to stimulate the domestic consumption, which will consequently help stabilize the development of the retail business sector. Hence, the Group will continue to implement its twofold strategy of further enhancing its market presence in Shenzhen and exploring opportunities in third-tier or lower tier cities in Guangdong Province that have benefited from rapid urbanisation.

Expansion of store network

In October 2012, the Group entered into an agreement to purchase a six-storey commercial property in Lufeng city, Shanwei city with GFA of 25,855.8 sq.m. for a new department store to be opened during the second half of 2014. The Group will continue to penetrate the Shanwei market as well as employ more effective marketing strategies in operating the new store by leveraging the experience gained from the two stores opened in Shanwei city in 2012.

In March and May 2013, the Group entered into rental agreements for (i) a five-storey building in Yangxi City with GFA of 33,427.8 sq.m. and (ii) a five-storey building in Shenzhen with GFA of 28,000.0 sq.m., respectively. Upon the request of the landlord, however, the Group agreed to terminate the lease agreement for the Yangxi building in October 2013 with full refund of the amount paid and the receipt of an early termination penalty. Meanwhile, the department store in the five-storey building in Shenzhen is expected to open in 2015 depending on market sentiment and the performance of the Group's other new department stores.

In March 2014, in order to optimise its operational efficiency and enhance shopping experience, Mingxing Store, the only store in Shenzhen which focuses solely on department store section with GFA of 7,920.1 sq.m., will be relocated to another premises in Shenzhen and is scheduled to re-open in 2015 or 2016. Some of the brands which are currently carried and sold only in Mingxing Store will also be sold in Jingtian Store. These re-arrangements are intended to promote the Group's market presence and brand awareness in the area.

Enhancement of procurement and merchandise mix

The Group will continue to review and optimise its merchandise mix to fulfill different demands and tastes of different customers, especially those in lower-tier new markets where the Group will focus on the promotion of premium local branded products. The Group is also planning to increase the proportion of direct sourcing for fresh food as well as imported/new products in order to enhance the product variety and reduce the procurement costs. A more stringent procurement control system will be in place as well to raise the Group's pricing competitiveness and product safety standards.

Optimisation of store area and renovation of selected stores

To focus on the enhancement of the shopping experience for customers, the Group from time to time modifies and improves the store layout and adjusts the locations of different sections within department stores in order to bring to the customers with new shopping experience and convenience. The Group will also assess the possibility of introducing new or additional sections such as home furniture, children's playground, internet café, restaurants and cinemas within store premises for the purpose of promoting the customer flow.

Human resources management and employee's share award scheme

The Group will continue to enhance human resources management through staff training and management trainee programs, and increase the use of internal control procedures to improve service and management efficiency.

To recognise and reward employees for their contributions to the business and development of the Group, as well as provide incentives to raise their performance, the Group adopted an employees' share award scheme in January 2014. Eligible participants include employees, consultants and other personnel employed or engaged by the Group related to the business and operation of the Group, as well as mid-level management, senior management and senior executives of the Group. The Directors believe that the share award scheme will help retain well-performed employees and align their interests with the interest of the Group and boost the overall performance of the Group.

New business development and potential investment opportunities

In view of the improving market conditions and the financial resources currently available to the Group, the Group will continue to explore other new business and investment opportunities in the retail or other sectors. The Directors will focus on the business and investment opportunities that could provide synergy to the existing business of the Group.

III. FINANCIAL REVIEW

Total gross sales proceeds

During the year ended 31 December 2013, the Group's total gross sales proceeds (representing the aggregate of the revenue from direct sales of the Group, total sales proceeds from concessionaire sales at the Group's department stores and the income from reversal of long-aged unredeemed prepaid cards) were RMB2,348.4 million, representing an increase of 5.7% from RMB2,222.9 million for the year ended 31 December 2012. The increase in total gross sales proceeds was primarily a result of the contribution in direct sales and concessionaire sales generated from the new stores in Shanwei, Meizhou and Shenzhen opened in 2012 and 2013, which was offset by the decrease in sales generated by old stores in Shenzhen amid the intense competition, as well as the underperforming Dongguan stores.

Revenue generated from direct sales of the Group amounted to RMB1,121.4 million and the total sales proceeds from concessionaire sales amounted to RMB1,217.2 million, accounting for 47.8% and 51.8%, respectively, of the Group's total gross sales proceeds for the year ended 31 December 2013. For the year ended 31 December 2012, revenue from direct sales amounted to RMB1,116.0 million, while the total sales proceeds from concessionaries sales amounted to RMB1,087.7 million, accounted for 50.2% and 48.9% respectively of the Group's total gross sales proceeds.

The following table sets forth the Group's total gross sales proceeds categorized by principal products:

	Year ended 31 December			
	2013		2012	
	RMB' million	*%*	*RMB' million*	*%*
Electronics and home appliances	**260.1**	**11.1**	215.5	9.7
Clothes, apparel and bedding	**577.5**	**24.6**	549.8	24.7
Children's goods	**58.5**	**2.5**	70.5	3.2
Sporting and stationery goods	**55.7**	**2.4**	59.9	2.7
Food and beverages	**993.3**	**42.3**	925.0	41.6
Daily necessities and cosmetic goods	**393.5**	**16.7**	383.0	17.2
Income from reversal of long-aged pre-paid gift cards	**9.8**	**0.4**	19.2	0.9
	2,348.4	**100.0**	2,222.9	100.0

Revenue

The Group's revenue amounted to RMB1,356.5 million in 2013, representing a slight decrease of 1.1% as compared to RMB1,372.0 million in 2012, principally due to decrease in the sales from old stores in Shenzhen and decrease of income from reversal of long-aged pre-paid gift cards recognized in 2013. This was mitigated by the increase in rental income as a result of higher proportion of rental area in new stores for complementary facilities.

Direct sales increased slightly by 0.5% from RMB1,116.0 million in 2012 to RMB1,121.4 million in 2013, principally due to the increase in sales from the new department stores in Shanwei, Meizhou and Shenzhen opened in 2012 and 2013. Direct sales as a percentage of the Group's total revenue was 82.7% in 2013 as compared to 81.3% in 2012.

Commission from concessionaire sales decreased by 11.7% from RMB184.8 million in 2012 to RMB163.1 million in 2013, mainly due to the relatively lower commission rate offered in new stores for new markets penetration, and lower commission rate as a result of promotional activities at old stores amidst intense competition. The commission rate of concessionaire sales was 13.4% as compared to 17.0% in 2012. The concessionaire sales increased by 11.9% mainly due to the contribution from new department stores in Shanwei, Meizhou and Shenzhen opened in 2012 and 2013. Commission from concessionaire sales as a percentage of the Group's total revenue was 12.0% for the year ended 31 December 2013 as compared to 13.5% for the year ended 31 December 2012.

Rental income increased by 20.0% from RMB51.9 million in 2012 to RMB62.3 million in 2013, mainly due to the higher proportion of rental area in new stores for complementary facilities. Rental income as a percentage of the Group's total revenue was 4.6% for the year ended 31 December 2013 as compared to 3.8% for the year ended 31 December 2012.

Income from reversal of long-aged unredeemed prepaid cards decreased significantly by 49.0% from RMB19.2 million in 2012 to RMB9.8 million in 2013, mainly due to the fact that most of the long-aged unredeemed prepaid card balances prior to 2009 were recognized in 2011 and 2012.

Other operating revenue

Other operating revenue decreased by 5.8% from RMB117.1 million for the year ended 31 December 2012 to RMB110.3 million for the year ended 31 December 2013, mainly due to more stringent governmental measures in receiving such payments, and the terms were modified such that a higher commission rate was charged instead, resulting in a decrease in credit card handling fee.

Other loss, net

Other net loss amounted to RMB153.8 million for the year ended 31 December 2013 as compared with other net loss of RMB14.1 million in 2012, mainly due to an one-off impairment loss and related expenses of RMB160.7 million recognized in 2013 as a result of the closure/under-performance of certain department stores in Dongguan, Guangdong Province. Only an impairment loss of RMB10.0 million was recognized in 2012 for a property in Luhe County.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB992.3 million for the year ended 31 December 2013, representing a slight increase of 3.5% as compared with RMB959.2 million in 2012. As a percentage of revenue from direct sales, purchase of and changes in inventories was 88.5% for the year ended 31 December 2013 as compared with 85.9% in 2012.

Employee benefits

Employee benefit expenses decreased slightly by 1.2% to RMB190.0 million for the year ended 31 December 2013 from RMB192.3 million in 2012, primarily due to the restructuring of staff in old stores and head office, offset by the increase in number of staff for the two new stores opened during the year and the recruitment of new management personnel. The new members of the senior management team have extensive experience in the retail business and are expected to make contributions in enhancing the growth of the Group and strengthening the internal controls of the Group.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 10.9% to RMB63.3 million for the year ended 31 December 2013 from RMB57.1 million in 2012 which was principally attributable to the launch and continuous enhancement of the information technology system, as well as the increase in leasehold improvements and machinery for the new stores opened in second half of 2012 and 2013.

Operating lease rental expenses

Operating lease rental expenses increased by 12.1% to RMB186.5 million for the year ended 31 December 2013 from RMB166.4 million in 2012. The increase was principally attributable to the rental expenses of a new distribution centre in Shenzhen and the new department stores opened in 2013.

Other operating expenses, net

Other operating expenses, which principally comprised of utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges, exchange differences and maintenance expenses, decreased by 16.5% to RMB123.1 million for the year ended 31 December 2013 from RMB147.4 million in 2012. This was primarily due to the efficient cost controls and savings for the existing stores and head office, as well as the increase in net exchange gain.

Loss before finance costs and tax

As a result of the reasons mentioned above, the Group's loss before finance costs and tax amounted to RMB242.3 million for the year ended 31 December 2013 as compared with the loss of the Group of RMB47.3 million in 2012.

Finance income

Finance income remained relatively stable at RMB27.2 million for the year ended 31 December 2013 as compared to RMB27.4 million for the same period in 2012.

Finance costs

Finance costs decreased by 25% to RMB2.1 million for the year ended 31 December 2013 from RMB2.8 million in 2012 which was primarily attributable to the decrease in interest rate of the borrowings.

Income tax expense

Income tax expense amounted to RMB2.3 million for the year ended 31 December 2013, representing a decrease of 90.0% from RMB23.1 million in 2012. The effective tax rate applicable to the Group for the year ended 31 December 2012 was 25%. 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 owners of the Company

As a result of the aforementioned, loss attributable to owners of the Company amounted to RMB219.5 million for the year ended 31 December 2013 from loss of RMB45.8 million in 2012.

IV. DIVIDENDS

In view of the loss incurred for the year ended 31 December 2013 and the working capital requirements for the business operation of the Group, the Board does not recommend any final or special dividend for the year ended 31 December 2013 (2012: Nil).

V. LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2013, the Group's cash and cash equivalents amounted to RMB626.3 million, decreased by RMB517.7 million from RMB1,144.0 million as of 31 December 2012. The cash and cash equivalents, which were in RMB and Hong Kong dollars, were deposited with banks in the PRC and Hong Kong as short-term deposits for interest income.

As of 31 December 2013, the Group's bank deposits amounted to RMB919.0 million, and increased by RMB301.5 million from RMB617.5 million as of 31 December 2012. The bank deposit which were mainly denominated in RMB, were deposited with banks in the PRC and Hong Kong as long-term fixed deposits for interest income, in which RMB388.4 million (31 December 2012: RMB387.0 million) were pledged to bank as restricted bank deposit to secure borrowings.

As of 31 December 2013, the Group's outstanding bank borrowings amounted to RMB235.9 million (31 December 2012: RMB243.3 million). The borrowings are denominated in Hong Kong dollars with average interest rate of 0.882% 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 9.3% as of 31 December 2013 (31 December 2012: 8.3%). 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 31 December 2013 were RMB539.0 million (31 December 2012: RMB624.5 million), representing a decrease of RMB85.5 million. The net assets of the Group as of 31 December 2013 decreased to RMB1,219.5 million (31 December 2012: RMB1,438.8 million), representing a decrease of 15.2%.

Foreign exchange exposure

The business operations of the Group is primarily in the PRC with most of its transactions settled in RMB. 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 year ended 31 December 2013, the Group recorded a net foreign exchange gain of RMB8.3 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 31 December 2013, the total number of employees of the Group was 2,551. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees.

To recognise and reward the eligible employees for their contributions to the business and development of the Group, the Company adopted an employees' share award scheme on 22 January 2014.

Contingent liabilities

Certain suppliers have commenced proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As at 31 December 2013, the legal proceedings were ongoing. The Group has made a provision of approximately RMB5,084,000 (2012: RMB 4,369,000), which the Directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

Material acquisitions and disposal of subsidiaries

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

Use of net proceeds

On 17 November 2010, the shares of the Group were listed on the Main Board of the Stock Exchange and the Group raised net proceeds of approximately HK$1,313.4 million (after deducting underwriting fees and related expenses). During the year ended 31 December 2013, approximately RMB30.1 million out of the net proceeds was used for the opening and decoration of Xingning Store and Dapeng Store (2012: RMB 110.7 million).

VI. SUBSEQUENT EVENTS

The Company adopted an employees' share award scheme on 22 January 2014.

The purpose of the employees' share award scheme is to recognise and reward eligible employees for their contributions to the business and development of the Group, provide incentives to eligible employees for their satisfactory performance, and align the interest of the eligible employees with the interest of the Group through the grant of the award. Eligible participants include employees, consultants and other personnel employed or engaged by the Group related to the business and operation of the Group, as well as mid-level management, senior management and senior executives of the Group, the total number of which will not be more than 200.

Up to the date of this announcement, the Company has not awarded any shares to its employees.

VII. EXTRACT OF AUDITORS' QUALIFIED OPINION TO BE INCLUDED IN THE AUDITOR'S REPORT

The following is an extract of the Auditor's report on the Group's annual audited consolidated financial statements for the year ended 31 December 2013:

" Opinion

Basis for Qualified Opinion

There were no alternative audit procedures that we could perform to satisfy ourselves that certain prepayments as well as advances from suppliers were free from material misstatement as at 1 January 2012 and we had been unable to determine whether any adjustments to these amounts were necessary. The aforesaid prepayments as well as advances from suppliers had been refunded and were part of the Group's cash flows for the year ended 31 December 2012. We 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 consolidated statement of cash flows for the year ended 31 December 2012. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2012 was modified accordingly.

Our audit opinion on the financial statements for the year ended 31 December 2013 is also modified because of the possible effects of the above-mentioned matter on the comparability of the corresponding figures in the consolidated statement of cash flows.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

VIII. AUDIT COMMITTEE

As of the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprises 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 (including financial, operational and compliance controls and risk management functions) of the Group. During the year, the Audit Committee held five regular meetings with the management, external auditors and internal control consultant to discuss on the auditing, internal controls and financial reporting matters of the Company, and to review the Group's internal control and annual results for the year ended 31 December 2013.

IX. CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance. In the opinion of the Directors, throughout the year ended 31 December 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 meeting 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, together with the Audit Committee, 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 December 2013, the Group appointed a reputable accounting firm to conduct a review on the Group's internal control which has been completed and reported its findings to the Audit Committee and Board in March 2014. The Audit Committee followed up with the Company on the findings and suggestions from the accounting firm.

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.

X. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

XI. 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 year ended 31 December 2013.

XII. PUBLICATION OF ANNUAL 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 annual report for the year ended 31 December 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.

XIII. CONCLUSION

The Board would like to take this opportunity to express its gratitude to the management team and all colleagues for their commitment and diligence. Appreciation must also be extended to the Group's partners and customers for their continuous support. The Board wishes to further thank all of the shareholders and investors of the Company for their utmost confidence in the Group, and is confident that the business of the Group will continue to grow steadily.

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

Hong Kong, 26 March 2014

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.