SHIRBLE DEPARTMENT STORE

歲寶百貨

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: 312)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

- **Total gross sales proceeds[(1)] increased by approximately 10.5% to approximately RMB2,049.6 million**
- **Same store sales[(2)] ("SSS") growth increased to approximately 7.6%**
- **Turnover increased by approximately 11.5% to approximately RMB1,279.6 million**
- **Profit from operations increased by approximately 88.6% to approximately RMB261.0 million**
- **Net profit attributable to the equity shareholders of the Company increased by approximately 42.6% to approximately RMB200.1 million**
- **Basic earnings per share was approximately RMB0.10**
- **Proposed final dividend of approximately RMB10.3 million or RMB0.0041 per share**

Notes:

1. Total gross sales proceeds represent the sum of revenue from direct sales and total sales proceeds from concessionaire sales at the Group's department stores.

2. Same store refers to the stores which have been in operation throughout the entire comparative period.

I. FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The board (the "**Board**") of directors (the "**Directors**") of Shirble Department Store Holdings (China) Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2010, together with the comparative figures for the year ended 31 December 2009 as follows:

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
Turnover	*3*	**1,279,619**	1,148,030
Other operating revenue	*4*	**181,400**	85,448
Other net income	*4*	**1,387**	187
Purchases of and changes in inventories	*5(c)*	**(872,969)**	(812,712)
Personnel costs	*5(b)*	**(98,482)**	(87,619)
Depreciation	*5(c)*	**(31,204)**	(34,798)
Operating lease rental expense	*5(c)*	**(108,476)**	(90,153)
Other expenses		**(90,309)**	(70,042)
Profit from operations		**260,966**	138,341
Finance income		**8,204**	37,729
Finance costs		**(1,704)**	(1,238)
Net finance income		**6,500**	36,491
Profit before tax	*5*	**267,466**	174,832
Income tax expense	*6*	**(67,384)**	(34,528)
Profit for the year, attributable to equity shareholders of the Company		**200,082**	140,304
Earnings per share (expressed in RMB per share)	*8*		
– Basic		**0.10**	0.07
– Diluted		**0.10**	0.07

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**200,082**	140,304
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	**93**	–
Total comprehensive income for the year, attributable to the equity shareholders of the Company	**200,175**	140,304

III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**232,978**	193,375
Deferred tax assets		**36,243**	30,850
		269,221	224,225
CURRENT ASSETS			
Inventories		**215,538**	177,411
Trade and other receivables	*9*	**151,587**	413,110
Held-for-trading investments		**–**	151
Held-for-maturity investments		**85,093**	–
Pledged deposits		**–**	136,532
Cash and cash equivalents		**1,735,974**	317,914
		2,188,192	1,045,118
CURRENT LIABILITIES			
Trade and other payables	*10*	**893,569**	842,824
Interest-bearing borrowings		**–**	132,032
Income tax payables		**30,757**	32,266
		924,326	1,007,122
NET CURRENT ASSETS		**1,263,866**	37,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,533,087**	262,221
NON-CURRENT LIABILITIES			
Deferred tax liability		**2,043**	–
		2,043	–
NET ASSETS		**1,531,044**	262,221
CAPITAL AND RESERVES			
Share capital		**214,318**	107,380
Reserves		**1,316,726**	154,841
TOTAL EQUITY		**1,531,044**	262,221

IV. NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 5 November 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 November 2010 (the "**Listing Date**").

The Group is principally engaged in the operation of department stores in the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION

The consolidated financial statements of the Company for the year ended 31 December 2010 has been prepared in accordance with International Financial Reporting Standards, which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

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.

3. TURNOVER

Turnover represents direct sales, commission from concessionaire sales and rental income. The amount of each significant category of revenue recognised is as follows:

		Year ended 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Direct sales		**1,014,400**	945,651
Commission from concessionaire sales		**219,886**	172,502
Rental income	*(i)*	**45,333**	29,877
		1,279,619	1,148,030

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Sublease rental income	**39,080**	24,439
Contingent rental income	**6,253**	5,438
	45,333	29,877

4. OTHER OPERATING REVENUE AND OTHER NET INCOME

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Other operating revenue		
Advertisement and promotion income	**167,284**	77,360
Credit card handling income	**13,488**	7,675
Others	**628**	413
	181,400	85,448

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Other net income		
Net gain/(loss) on disposal of property, plant and equipment	**14**	(162)
Others	**1,373**	349
	1,387	187

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

(a) Net finance income

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Net gain on disposal of held-for-trading investments	**(155)**	(32,727)
Interest income	**(8,049)**	(5,002)
Finance income	**(8,204)**	(37,729)
Interest expenses	**1,704**	1,238
Finance costs	**1,704**	1,238
Net finance income	**(6,500)**	(36,491)

(b) Personnel costs

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Wages, salaries, and other benefits	**94,322**	83,679
Contribution to defined contribution plans	**4,160**	3,940
	98,482	87,619

(c) **Other items**

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Purchase of and changes in inventories	**872,969**	812,712
Depreciation	**31,204**	34,798
Operating lease rental expense	**108,476**	90,153
Net foreign exchange loss	**5,954**	111
Auditors' remuneration		
– audit services	**1,533**	173

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current tax expense		
Provision for the year	**70,734**	39,125
Deferred tax expense		
Origination and reversal of temporary differences	**(3,350)**	(4,597)
	67,384	34,528

(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) No provision for Hong Kong Profits Tax was made for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the year. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Department Store (Shenzhen)**") and Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**") were entitled to a preferential income tax rate of 15% according to Regulations on Special Economic Zones in Guangdong Province (Approved for implementation at the 15th Meeting of the Standing Committee of the Fifth National People's Congress on 26 August 1980).

(iv) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("**New EIT Law**") which took effect on 1 January 2008. According to the New EIT Law and its relevant regulations issued in December 2007, the income tax rates applicable to Shirble Department Store (Shenzhen) and Shirble Chain Store are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

(v) The applicable income tax rate is 25% for Changsha Shirble Department Store Limited Liability Company, Changsha Shirble Apparel Co., Ltd., Shenzhen Shirble Mingxing Trading Co., Ltd., Shenzhen Xiangzhixuan Trading Co., Ltd., Shenzhen Ruizhuo Trading Company Limited and Shenzhen Yuzhixiang Trading Company Limited.

7. DIVIDENDS

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Dividends declared and paid during the year	**40,000**	280,627
Final dividend proposed after the reporting date of RMB0.0041 per Share (2009:Nil)	**10,250**	–

Pursuant to the resolutions passed at the respective board of directors' meetings on 31 March 2009 and 28 August 2009, dividends of RMB10,627,000 and RMB270,000,000 were declared to the then equity shareholders of Shirble Chain Store and Shirble Department Store (Shenzhen), respectively. Such dividends were fully paid on 20 August 2009 and 28 October 2009.

Pursuant to a resolution passed at the board of directors' meeting on 17 June 2010 and 17 September 2010, dividends of RMB30,000,000 and RMB10,000,000 were declared by the Company to its shareholders. Such dividends were fully paid.

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

8. EARNING PER SHARE ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2010 of RMB200,082,000 (2009: RMB140,304,000) and the weighted average of 1,952,054,795 (2009: 1,875,000,000) ordinary shares deemed to have been in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010
	Number of shares
Shares issued upon incorporation	**1**
Issuance of shares upon the reorganisation	**99,999**
Effect of capitalisation issue	**1,874,900,000**
Effect of shares issued on initial public offering	**77,054,795**
Weighted average number of ordinary shares for year ended 31 December	**1,952,054,795**

There were no dilutive potential ordinary shares throughout the years, and therefore, the basic and diluted earnings per share are the same.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**4,107**	4,507
Deposits, prepayments and other receivables	**147,480**	34,389
Amounts due from related parties	**–**	374,214
	151,587	413,110

All of the trade and other receivables apart from deposits for lease of premises with a carrying amount of RMB22,781,000 at 31 December 2010 (2009: RMB14,923,000), are expected to be recovered or recognised as expenses within one year.

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

An ageing analysis of trade receivables of the Group is as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Within one month	**4,107**	4,507

10. TRADE AND OTHER PAYABLES

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Advances received from customers	**389,859**	352,530
Trade and bills payables	**278,054**	280,750
Rental payables	**86,959**	73,241
Other taxes payables	**49,213**	61,337
Deferred income	**24,834**	24,974
Accrued wages and salaries	**12,888**	12,298
Amounts due to related parties	**5,480**	2,909
Other payables and accruals	**46,282**	34,785
	893,569	842,824

An ageing analysis of trade and bills payables of the Group is as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Within three months	**220,866**	215,857
Over three months but within one year	**44,244**	49,229
Over one year	**12,944**	15,664
	278,054	280,750

V. MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

In 2010, the PRC economy has continued to grow after the global recession which commenced in the second half of 2008 and recorded gross domestic product ("**GDP**") of approximately RMB39,798.3 billion, representing approximately 10.3% increase from the previous year. The per capita disposable income of urban residents amounted to RMB19,109 which was approximately 11.3% higher than that of previous year. Total retail sales of consumer goods for the year were approximately RMB13,691.8 billion which represents approximately 18.5% growth compared to previous year, outpacing that of the retail sector. After excluding the effect of inflation, the real PRC domestic consumptions expanded at an annual rate of approximately 14.8% since the economic rebound in 2009. The growth resulted from the proactive fiscal policies and expansionary monetary measures which improved the employment situation and boosted the consumers' spending as well as the domestic demand in the PRC. The retail industry and the Group have therefore benefited from the robust development in the PRC economy and the increasing consumption power of consumers.

In line with the economic recovery and stronger domestic consumption as well as the Group's continuous business expansion, the Group's total gross sales proceeds have recorded a stable growth of approximately 10.5%, reaching approximately RMB2,049.6 million, with SSS growth of approximately 7.6%. Turnover increased by approximately 11.5% to approximately RMB1,279.6 million and profit attributable to equity shareholders of the Company grew by approximately 42.6% to approximately RMB200.1 million.

Store Expansion

In 2010, the Group further strengthened its presence in Shenzhen with the opening of two new department stores with an aggregate gross floor area ("**GFA**") of approximately 49,950 sq. m. in Bao'an district, i.e. the Shajing store in August 2010 and the Minzhi store in December 2010 respectively. The two new stores not only share the same features of existing stores with a wide array of supermarket goods, daily necessities, cosmetics, clothes and apparels, bedding products, sportswear, stationeries and electrical and home appliances, but have added new leisure facilities such as 3D movie theatres and more food and beverage vendors. The Minzhi store, in particular, differentiates itself with its Taiwan-themed food court, a four-metre long Vermaport trademark shopping cart conveyor imported from Germany and the Group's first 24-hour convenience store to provide patrons with a fresh shopping experience.

Together with the Shajing and Minzhi store, the Group had a total of 13 department stores as at 31 December 2010, including 11 stores within Shenzhen, one in Shanwei and one in Changsha. The total GFA of the 13 stores is approximately 208,684 sq. m., representing a year-on-year increase of approximately 31.5%.

Enhancement of VIP program

During the year 2010, the Group continued to enhance its VIP customer program through services, promotion and marketing activities to boost customers' loyalty and attract new members. As at 31 December 2010, the Group had approximately 500,000 VIP customers, and sales from these VIP customers accounted for approximately 66.5% of the Group's total gross sales proceeds.

Pilot 24-hour Convenience Store

The Group is currently exploring the convenience store model, and in November 2010, the first 24-hour convenience store was set up right next to the Minzhi store as a trial operation. The Directors believe that the strong duplication ability of this model may diversify our existing retail format and help the Group's brand to penetrate further in Shenzhen.

New Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 17 November 2010. The Group will utilize the proceeds from the listing in the way as disclosed in the prospectus of the Company dated 5 November 2010 (the "**Prospectus**") to strengthen its prominent position in the PRC retail industry.

FUTURE PLANS AND OUTLOOK

Looking forward, the Directors believe that the department store retailers business will benefit from the rapid economic growth in the PRC and the rise in domestic demand. The Group will strive to further strengthen its market leading position in Shenzhen, as well as to anchor in nearby regions.

New Stores Opening Plan

The Group targets to solidify its leadership position by establishing eight to nine new stores, increasing the aggregate GFA to approximately 400,000 sq. m. by 2012. With development rooted in Shenzhen, the Group intends to explore more locations in Shenzhen, while expanding to neighboring regions such as Guangzhou, Dongguan, Shanwei and other second to third-tier regions, and beyond to Changsha with the aim to extend its geographical reach throughout PRC.

Two popular shopping spots with an aggregate GFA under the Group's operation and management of approximately 72,800 sq. m. in Humen Town, Dongguan, Guangdong Province have been chosen, and related lease agreements have been entered into with independent third parties in November 2010. The stores are expected to commence business in 2011.

The Group is also considering to acquire a property in Shenzhen for opening a new store by 2013.

Based on the successful operations experience, the Group will continue to follow its hybrid "one-stop shop" model offering customers a comprehensive range of merchandise and services, as well as a convenient and comfortable "one-stop" shopping environment. On top of the development of its core hybrid model, the Group will also be exploring the possibility to diversify into different retail formats to capitalise the business potentials in a more efficient and effective manner. The Group has already opened one 24-hour convenience store at its Minzhi store, and one of the Humen stores to be opened in 2011 will be in the format of shopping mall.

Brand Enhancement and Renovation Plan

In order to enhance customers' brand awareness and shopping experiences, the Group will focus on promoting the brand through renovation of existing stores. Starting from 2011, the first stage renovation plan will focus mainly on the uplifting of outer wall and ancillary facilities of existing stores. Upon successful completion of the first stage, the Group will commence on rebranding assessment and implementation formulation.

Upgrade and Enhancement of Information Technology System

To cope with the Group's business expansion, a new enterprise resource planning (ERP) system, a customer relationship management (CRM) system, a point-of-sale (POS) system and a supply chain management system will be implemented. Through these system upgrades, accuracy of the execution of future plans will be enhanced via multi-faceted analysis, while the automation of information technology systems will increase security and improve operational efficiency, including improvement in inventory management and inventory turnover. The enhancement of systems also opens up the possibility for a compatible online shopping element to increase customer flow.

The Group has already commenced the upgrading process, and the first stage is expected to be completed in 2011. Upon completion of the upgrading and enhancement of information technology systems, it is believed that the Group's overall operational efficiency and management control will be improved, which will further strengthen the Group's competitive advantages.

Establishment of a large-scale, modernized Shenzhen Distribution Centre and Staff Training Base

In order to enhance the Group's distribution capability and services, the Group plans to construct a new Shenzhen distribution centre with GFA of approximately 53,500 sq. m. and a staff training centre with GFA of approximately 1,500 sq. m., with operation expected to commence by end of 2012. The new distribution centre will be equipped with more advanced facilities, which will shorten the delivery time and enhance inventory control and management, thereby improving operational efficiency and lowering cost. The new staff training base will facilitate comprehensive training to staff, boost working efficiency and improve quality of services.

Development of Private Label Products

In view of the high proportion of turnover derived from direct sales, the Group will focus on developing private label brands to increase profitability. Having introduced its first private label brand in 2010, the Group will extend the categories of private label products, diversify product range and launch marketing campaigns to increase its market share and optimize product portfolio.

Potential M&A opportunities

On top of the above, the Group will continue to look for potential acquisition opportunities to further advance its footprint in the PRC, as well as to search for appropriate investment opportunities that will provide synergy to the existing business.

VI. FINANCIAL REVIEW

Total gross sales proceeds

The Group's total gross sales proceeds (representing the sum of revenue from direct sales and total sales proceeds from concessionaire sales at our department stores) grew to approximately RMB2,049.6 million, representing an increase of approximately 10.5% from approximately RMB1,854.7 million in 2009. The increase was mainly attributable to the SSS growth of approximately 7.6%, inclusion of full year sales of the Longzhu store opened in 2009 as well as the sales derived from the newly opened Shajing and Minzhi stores.

SSS growth increased to approximately 7.6% for 2010 as compared to negative growth of approximately 2.1% recorded in 2009. The significant improvement was mainly attributable to the recovery in sales performance of the Jingtian, Mingxing and Hongbao stores after completion of road construction activities nearby the stores and stronger sales in the Jufu and Longgang stores due to increase in customer flow from residential apartments near these two stores.

Revenue from direct sales amounted to approximately RMB1,014.4 million, while total sales proceeds from concessionaire sales amounted to approximately RMB1,035.2 million, accounting for approximately 49.5% and 50.5%, respectively of the Group's total gross sales proceeds.

The following table sets out the Group's total gross sales proceeds derived from the broad categories by which the Group manages its merchandise:

	Year ended 31 December			
	2010		2009	
	RMB' million	*%*	*RMB'million*	*%*
Electronics and home appliances	**255.4**	**12.5**	223.8	12.1
Clothes, apparel and bedding	**500.7**	**24.4**	462.4	24.9
Children's goods	**65.3**	**3.2**	59.5	3.2
Sporting and stationery goods	**63.9**	**3.1**	64.2	3.5
Food and beverages	**854.5**	**41.7**	767.9	41.4
Daily necessities and cosmetic goods	**309.8**	**15.1**	276.9	14.9
	2,049.6	**100.0**	1,854.7	100.0

Turnover

The Group's turnover amounted to approximately RMB1,279.6 million, representing an increase of approximately 11.5% as compared to approximately RMB1,148.0 million in 2009. The increase was primarily due to the growth in turnover generated from both direct sales and concessionaire sales.

Direct sales increased by approximately 7.3% to approximately RMB1,014.4 million in 2010 from approximately RMB945.7 million in 2009, mainly due to the opening of two new stores in 2010, improvement in sales for the Jufu and Longgang stores as a result of increase in customer flow from the surrounding residential apartments and inclusion of full year sales of the Longzhu store. Direct sales as a percentage of the Group's total turnover was approximately 79.3% in 2010 as compared to approximately 82.4% in 2009.

Commission from concessionaire sales increased by approximately 27.5% to approximately RMB219.9 million in 2010 from approximately RMB172.5 million in 2009, mainly due to increase in gross sales proceeds of concessionaire sales from effective promotional strategies, increase in selling price of concessionaire products, as well as improvement in commission rate during the year. The commission rate of concessionaire sales was approximately 21.2% as compared to approximately 19.0% in 2009. Commission from concessionaire sales as a percentage of the Group's total turnover was approximately 17.2% in 2010 as compared to approximately 15.0% in 2009.

Rental income increased by approximately 51.7% to approximately RMB45.3 million in 2010 from approximately RMB29.9 million in 2009, mainly due to the increase in sub-lease rental income contributed mainly by the Longzhu store and the increase in leased areas during the year. Rental income as a percentage of the Group's total turnover was approximately 3.5% as compared to approximately 2.6% in 2009.

Other operating revenue

Other operating revenue increased substantially by approximately 112.3% to approximately RMB181.4 million in 2010 from approximately RMB85.4 million in 2009, mainly because of additional advertisement and promotion income earned as a result of an increase in promotional campaigns and activities as well as the change in charging format of credit card handling fee during the year.

Other net income

Other net income increased by approximately 641.7% to approximately RMB1.4 million in 2010 from approximately RMB0.2 million in 2009, mainly attributable to the increase in compensation received from suppliers for violation of contract terms.

Purchases of and changes in inventories

Purchase of and changes in inventories amounted to approximately RMB873.0 million in 2010, representing an increase of approximately 7.4% as compared to approximately RMB812.7 million in 2009, in line with the increase in turnover from direct sales. As a percentage of turnover from direct sales, purchases of and changes in inventories was approximately 86.1% in 2010 as compared to approximately 85.9% in 2009.

Personnel costs

Personnel costs increased by approximately 12.4% to approximately RMB98.5 million in 2010 from approximately RMB87.6 million in 2009, primarily due to the recruitment of new employees for the Group's newly opened Shajing and Minzhi stores.

Depreciation

Depreciation decreased by approximately 10.3% to approximately RMB31.2 million in 2010 from approximately RMB34.8 million in 2009, primarily attributable to the decrease in depreciation for the Group's existing plant, property and equipment which had been recognised in previous years, as well as the disposal of the Group's old distribution centre in August 2009.

Operating lease rental expense

Operating lease rental expense increased by approximately 20.3% to approximately RMB108.5 million in the year ended 31 December 2010 from approximately RMB90.2 million in the year ended 31 December 2009. This increase was mainly attributable to the additional operating leases the Group entered into for the Shajing store and Minzhi store, as well as increase in rental expenses for the Jingtian store.

Other expenses

Other expenses, which mainly comprised utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges and maintenance expenses, increased by approximately 28.9% to approximately RMB90.3 million in the year ended 31 December 2010 from approximately RMB70.0 million in the year ended 31 December 2009. This was primarily due to the increase in number of stores in 2010.

Profit from operations

As a result of the reasons mentioned above, the Group's profit from operations surged by approximately 88.6% to approximately RMB261.0 million in the year ended 31 December 2010 from approximately RMB138.3 million in the year ended 31 December 2009, primarily as a result of an increase in other operating revenue and the increase in concessionaire sales of fashion and clothing which has a higher commission rate than other categories of products.

Finance income

Finance income decreased by approximately 78.3% to approximately RMB8.2 million in the year ended 31 December 2010 from approximately RMB37.7 million in the year ended 31 December 2009, primarily attributable to the significant decrease in net gain on held-for-trading investments in 2010.

Finance costs

Finance costs increased by approximately 37.6% to approximately RMB1.7 million in the year ended 31 December 2010 from approximately RMB1.2 million in the year ended 31 December 2009, primarily attributable to the increase in interest paid for the outstanding bank borrowings.

Income tax expense

Income tax expense amounted to approximately RMB67.4 million, representing an increase of approximately 95.2% from approximately RMB34.5 million in the year ended 31 December 2009. The effective tax rate applicable to the Group was 25.2%, which was a result of the increase in the enterprise income tax rate applicable to Shenzhen from 20% to 22%. 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 10%.

Profit attributable to equity shareholders of the Company

As a result of the aforementioned, profit attributable to equity shareholders of the Company increased by approximately 42.6% from RMB140.3 million in the year ended 31 December 2009 to approximately RMB200.1 million in the year ended 31 December 2010, which is close to the forecast profit of the Group as set forth in the Prospectus.

VII. DIVIDEND

The Board has recommended a final dividend of RMB0.0041 per Share for the year ended 31 December 2010 payable to the shareholders of the Company whose names appear on the register of members of the Company on 20 May 2011. On the assumption that shareholders' approval is obtained during the forthcoming annual general meeting for the payment of the proposed final dividend, the Company shall be paying a final dividend of RMB0.0041 in cash per Share for the year 2010, representing approximately 30% of the Group's distributable profit attributable to the period commencing from the Listing Date to 31 December 2010. The final dividend will be paid in Hong Kong dollars, and such amount is to be calculated by reference to the middle rate published by People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 20 May 2011.

VIII. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's cash and cash equivalents amounted to approximately RMB1,736.0 million, increased by approximately RMB1,418.1 million from approximately RMB317.9 million as at 31 December 2009, mainly due to the net proceeds (the "**Net Proceeds**") received from the initial public offering of the Shares in November 2010. The cash and cash equivalents, which were in Hong Kong dollars and Renminbi, were held at banks in Hong Kong as short-term deposits for interest income and deposited with banks in the PRC.

As at 31 December 2010, the Group did not have any outstanding bank borrowing (2009: RMB132.0 million). The decrease was due to the repayment of bank loans during the year.

Net current assets and net assets

The net current assets of the Group as at 31 December 2010 were approximately RMB1,263.9 million, representing an increase of approximately RMB1,225.9 million. The net assets of the Group as at 31 December 2010 increased to approximately RMB1,531.0 million, representing an increase of approximately RMB1,268.8 million. The increase was mainly due to the Net Proceeds.

Pledge of assets

As at 31 December 2010, no asset of the Group was pledged to any bank or lender.

Foreign exchange exposure

The Group mainly operates in the PRC with most of its transactions settled in RMB. Certain cash and bank balances of the Group are denominated in HKD and the Company pays dividends in HKD which exposes the Group to foreign exchange risks arising from the translation of HKD against RMB. For the year ended 31 December 2010, the Group recorded a net foreign exchange loss of approximately RMB6.0 million. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign exchange exposure.

Employees

As at 31 December 2010, the total number of employees of the Group was 2,763. Salaries, bonuses and benefits are determined with reference to market conditions and the performance, qualifications and experience of individual employees.

Contingent Liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities.

IX. USE OF NET PROCEEDS

On 17 November 2010, the Shares were listed on the Main Board of the Stock Exchange and the Group raised Net Proceeds of approximately HKD1,313.4 million (after deducting underwriting fees and related expenses). Up to 31 December 2010, the Group had not utilised any of the Net Proceeds and the Net Proceeds were deposited in reputable financial institutions. The Directors intend to apply the Net Proceeds in the manner as described in the Prospectus.

X. 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 year.

XI. CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from the Listing Date up to 31 December 2010.

XII. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). The Directors have complied with the standard set out in the Model Code from the Listing Date up to 31 December 2010.

XIII. AUDIT COMMITTEE

An audit committee (the "**Committee**") has been established by the Board to review and supervise the financial reporting process and internal control system of the Group. The Committee has reviewed the Group's audited consolidated results for the year ended 31 December 2010. The Committee comprises the three independent non-executive Directors.

XIV. PUBLICATION OF FINAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of Stock Exchange and the Company. The annual report for the year containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to shareholders of the Company and published in 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 and executive Director

Hong Kong, 24 March 2011

As at the date of this announcement, the executive Directors are Mr. YANG Xiangbo and Madam YANG Xiaomei and the independent non-executive Directors are Ms. ZHAO Jinlin, Mr. CHEN Fengliang and Mr. JIANG Hongkai.