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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: 00312)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board refers to the positive profit alert announcements of the Company dated 8 and 11 July 2014. The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2014:

– Revenue of the Group was RMB641.1 million, representing a decrease of 8.0% as compared with revenue for the same period in 2013;

– Total gross sales proceeds[(1)] of the Group were RMB1,053.2 million, representing a decrease of 7.2% as compared with the gross sales proceeds for the same period in 2013;

– Operating profit of the Group was RMB6.6 million, representing a significant increase of 108.3% as compared with operating loss of RMB79.3 million for the same period in 2013;

– Profit attributable to the owners of the Company was RMB13.4 million, representing a significant increase of 117.5% as compared with loss attributable to the owners of the Company of RMB76.6 million for the same period in 2013;

– Basic earnings per share was RMB0.01; and

– Net asset value per share was RMB0.49.

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 2014, the Group recorded an operating profit of RMB6.6 million. The significant improvement in profitability is primarily due to the effective business development strategy of the Group and the receipt of an one-off allocation compensation in different instalments in the total amount of RMB12.31 million during the six months ended 30 June 2014.

In view of the working capital requirements for the business operation of the Group, the Board does not recommend any dividend for the six month ended 30 June 2014 (2013: Nil).

I. INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the "**Board**") of directors (the "**Directors**") of Shirble Department Store Holdings (China) Limited (the "**Company**") refers to the profit alert announcements of the Company dated 8 and 11 July 2014. The following sets forth the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014, together with the unaudited comparative figures for the corresponding period in 2013. The unaudited consolidated results of the Group have been reviewed by the Company's auditor, PricewaterhouseCoopers, and the audit committee (the "**Audit Committee**") of the Board.

INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Revenue	*3*	**641,127**	696,730
Other operating revenue	*4*	**52,878**	51,065
Other gain/(loss), net	*5*	**4,418**	(28,009)
Purchase of and changes in inventories	*6*	**(446,258)**	(506,214)
Employee benefits	*6*	**(87,518)**	(98,029)
Depreciation and amortisation	*6*	**(26,679)**	(42,894)
Operating lease rental expenses	*6*	**(73,709)**	(92,119)
Other operating expenses, net	*6*	**(57,641)**	(59,843)
Operating profit/(loss)		**6,618**	(79,313)
Finance income		**12,845**	13,563
Finance costs		**(1,167)**	(950)
Finance income – net		**11,678**	12,613
Profit/(loss) before income tax		**18,296**	(66,700)
Income tax expense	*7*	**(4,871)**	(9,859)
Profit/(loss) for the period		**13,425**	(76,559)
Profit/(loss) attributable to:			
Owners of the Company		**13,425**	(76,559)
Earnings/(loss) per share for the profit/(loss) attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic and diluted	*8*	**0.01**	(0.03)
Dividends	*9*	**–**	–

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Profit/(loss) for the period		**13,425**	(76,559)
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Currency translation differences		**(64)**	121
Other comprehensive income for the period		**(64)**	121
Total comprehensive income/(loss) for the period		**13,361**	(76,438)
Attributable to:			
Owners of the Company		**13,361**	(76,438)

INTERIM CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**640,914**	453,841
Intangible assets		**20,497**	21,618
Deferred income tax assets		**53,118**	54,134
Trade and other receivables		**11,487**	150,920
		726,016	680,513
Current assets			
Inventories		**182,184**	219,935
Trade and other receivables	*10*	**76,977**	81,200
Bank deposits		**901,930**	919,007
Cash and cash equivalents		**516,069**	626,291
		1,677,160	1,846,433
Total assets		**2,403,176**	2,526,946
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**213,908**	213,908
Share premium		**894,338**	894,338
Other reserves		**196,669**	196,733
Accumulated loss		**(72,085)**	(85,510)
Total equity		**1,232,830**	1,219,469

	Note	**As at 30 June 2014** *RMB'000* **(unaudited)**	As at 31 December 2013 *RMB'000* (audited)
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	**901,339**	1,044,445
Income tax payable		**30,882**	27,163
Borrowings		**238,125**	235,869
		1,170,346	1,307,477
Total liabilities		**1,170,346**	1,307,477
Total equity and liabilities		**2,403,176**	2,526,946
Net current assets		**506,814**	538,956
Total assets less current liabilities		**1,232,830**	1,219,469

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 2014 ("the interim period") 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 2013, 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.

3. REVENUE

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Direct sales		**516,477**	574,013
Commission from concessionaire sales		**75,362**	72,829
Rental income	*(i)*	**44,847**	45,690
Income from reversal of long-aged unredeemed prepaid cards		**4,441**	4,198
		641,127	696,730

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Sublease rental income	**27,817**	32,490
Contingent rental income	**17,030**	13,200
	44,847	45,690

4. OTHER OPERATING REVENUE

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Promotion, administration and management income	**47,569**	47,676
Credit card handling fees for concessionaire sales	**2,542**	1,735
Others	**2,767**	1,654
	52,878	51,065

5. OTHER GAIN/(LOSS), NET

	Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Relocation compensation	*(i)*	**12,310**	–
Provision for penalty charge	*(ii)*	**(4,774)**	(7,735)
Impairment loss for property, plant and equipment	*(ii)*	**–**	(20,500)
Loss on disposal of property, plant and equipment		**(2,618)**	(17)
Provision for prepayment and other receivables		**(1,125)**	–
Others		**625**	243
		4,418	(28,009)

(i) The amounts represented the one-off relocation compensation of a department store located in Shenzhen from the landlord of the leased premise as a result of early cancellation of the lease contract.

(ii) For the six months ended 30 June 2014, the amounts represented the penalty charge as a result of early cancellation of lease contracts of department stores located in Dongguan, Guangdong Province initiated by the Group.

For the six months ended 30 June 2013, the amounts represented the impairment loss for property, plant and equipment and provision for penalty charge as a result of the reduction in store area of department stores located in Dongguan, Guangdong Province.

6. EXPENSES BY NATURE

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

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Purchase of and changes in inventories	**446,258**	506,214
Employee benefit expenses	**87,518**	98,029
Operating rental expenses	**73,709**	92,119
Depreciation and amortisation expenses	**26,679**	42,894
Auditor's remuneration	**748**	1,076
Other expenses	**56,893**	58,767
	691,805	799,099

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**3,855**	10,055
Deferred income tax	**1,016**	(196)
	4,871	9,859

(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 as the Group did not generate any assessable profits in Hong Kong during the interim period.

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

8. EARNINGS/(LOSS) PER SHARE

(i) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to equity shareholders of the Company for the interim period of RMB13,425,000 (consolidated loss for six months ended 30 June 2013: RMB76,559,000) and the weighted average number of RMB2,495,000,000 (six months ended 30 June 2013: RMB2,495,000,000) shares in issue during the interim period.

(ii) Diluted earnings/(loss) per share

As there were no dilutive potential ordinary shares for the six months ended 30 June 2014 and 2013, the basic and diluted earnings/(loss) per share are the same.

9. DIVIDENDS

No dividends were declared or payable to equity shareholders of the Company attributable to the previous financial year (2013: Nil).

10. TRADE AND OTHER RECEIVABLES

		As at	
		30 June	31 December
		2014	2013
	Note	***RMB'000***	*RMB'000*
Current portion:			
Trade receivables	*(i)*	**13,165**	13,224
Prepayments	*(ii)*	**6,405**	9,420
Deposits		**34,321**	34,141
Other receivables		**5,891**	3,992
Prepaid rental		**6,638**	5,935
Interest receivable		**10,557**	14,488
		76,977	81,200
Non-current portion:			
Prepayments for acquisition of a property in Lufeng	*(ii)*	**–**	144,792
Prepayments for construction project	*(ii)*	**7,467**	5,518
Prepayments for decoration work	*(ii)*	**4,020**	610
		11,487	150,920
		88,464	232,120

(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	
	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**8,630**	9,523
31 – 90 days	**3,479**	2,554
91 – 365 days	**1,056**	1,147
	13,165	13,224

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

As at 30 June 2014, trade receivables of RMB13,165,000 were fully performing (at 31 December 2013: RMB13,224,000).

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

		As at	
		30 June 2014	31 December 2013
	Note	***RMB'000***	*RMB'000*
Prepayments for acquisition of a property in Lufeng	*(a)*	**–**	144,792
Prepayments for construction projects	*(b)*	**7,467**	5,518
Prepayments for decoration work	*(b)*	**4,020**	610
Prepayments for purchase of merchandise		**6,405**	9,420
		17,892	160,340

(a) The balance as at 31 December 2013 represented a prepayment for the acquisition of a property in Lufeng, Guangdong Province, the PRC. As at 30 June 2014, the acquisition of the property had been completed, and the balance was transferred to property, plant and equipment from the prepayments.

(b) The balance as at 30 June 2014 and 31 December 2013 represented the prepayments for construction projects and decoration work for the department stores of the Group.

11. TRADE AND OTHER PAYABLES

		As at	
		30 June 2014	31 December 2013
	Note	***RMB'000***	*RMB'000*
Trade payables	*(i)*	**231,386**	304,046
Rental payables		**183,195**	180,969
Other tax payables		**20,673**	12,857
Deferred income		**29,679**	33,010
Accrued wages and salaries		**12,667**	22,701
Amount due to related parties		**146**	81
Advances from suppliers		**5,970**	5,970
Advances received from customers	*(ii)*	**317,882**	382,142
Other payables and accruals		**99,741**	102,669
		901,339	1,044,445

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 aging analysis of the trade payables of the Group was follows:

	As at	
	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**109,755**	124,418
31 – 60 days	**16,065**	69,091
61 – 90 days	**27,602**	15,413
91 – 365 days	**33,163**	51,902
1 year – 2 years	**37,648**	35,843
2 years – 3 years	**6,902**	7,128
Over 3 years	**251**	251
	231,386	304,046

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

12. CAPITAL COMMITMENTS

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

	As at	
	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	**16,969**	69,714

II. MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

According to the National Bureau of Statistics of China, gross domestic product growth rate of China in the first quarter of 2014 decreased to 7.4% by 0.3% as compared to the corresponding period of 2013. In 2014, the slower growth in retail sales in China is expected given the fierce competition in the fragmented retail markets, especially those in the first-tier cities which are already saturated.

In recent years, retail business started to focus on the second-tier and third-tier cities which have an expected rapid growth of the upper middle class demanding branded retailer to provide quality goods and services. However, unique demographics and strong culture in these cities may obstruct the entry of new market and thus, branded retailers would need to conduct extensive marketing analyses and studies before making any investment in the future new markets.

BUSINESS REVIEW

In 2013, the Group experienced a challenging year due to the slowdown in economic growth and the fierce competition in the already fragmented retail market. With the change of senior management in September 2013, the Group has undergone substantial strategic and operational restructuring in order to build a strong foundation to survive in its existing markets and expand into developing markets.

Thanks to the collective efforts of all the staff, the Group managed to record significant improvement in the first half of 2014. For the six months ended 30 June 2014, the Group's net profit was RMB13.4 million, as compared to the net loss of RMB76.6 million for the corresponding period in 2013.

Strategic restructuring of store network

The Group has adhered to its strategy twofold to maintain its competitiveness in the retail market. Based on its solid foundation in Shenzhen, one of China's most competitive first-tier cities, the Group has embarked on accelerating the expansion of its store network into developing suburbs in Shenzhen and other second-tier or third-tier cities in Guangdong Province with high growth potential, such as Dongguan, Shanwei and Meizhou since 2011. In the last three years, the Group has opened a total of ten new department stores in these new markets. The new stores opened in Dongguan, however, experienced a challenging operating environment and as a result, incurred operating losses with insignificant revenue contributions to the Group. The Directors then decided to reduced its exposure in Dongguan by closing two department stores at the end of December 2013 and sub-leasing and terminating the lease of the remaining two department stores in April 2014 and August 2014 respectively.

Meanwhile, the Group is implementing an effective business development strategy aimed at boosting the performance of the new department stores opened in 2012 and 2013, which has reduced the operating loss incurred by these stores. In addition, in order to optimise the operational efficiency and provide a better shopping experience, Mingxing Store, the only store in Shenzhen exclusively dedicated to department store functions with a 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. The relocation also resulted in the receipt of an one-off relocation compensation of RMB12.31 million in different instalments from the landlord of the leased premises during the six months ended 30 June 2014.

In anticipation of the improving performance of the new department stores, the Directors are confident about the growth prospects of the Group, and will continue executing its expansion plan in a prudent manner.

As of 30 June 2014, the Group had a total of 18 department stores in operation, covering a total GFA of 312,864.1 sq.m., representing a decrease of 19.5% when compared with a total of 21 department stores and a total GFA of 388,461.7 sq.m. in operation as of 31 December 2013.

Other operational strategies

In view of the current situation of the PRC retail market, securing quality suppliers and concessionaires is crucial to survive in the competitive market. Hence, the Group has forged strategic alliances with specified suppliers and concessionaires in order to maintain product sourcing and optimise product mix to satisfy a wide range of needs and preferences of different customers. In particular, the Group is constantly reviewing and optimising its merchandise mix, where new varieties, specialty local products, imported items and/or premium locally branded products are introduced within different stores according to local market preferences. Special attention were given to new stores' product mix and layout. The Group is also strengthening its capability to directly source fresh food to enlarge product variety and reduce procurement costs. Product safety standards are strictly observed particularly in lower-tier cities in order to raise the Group's brand profile in new developing markets.

To enhance the overall customer shopping experience, the store layout and the locations of different sections within the department stores are changing from time to time. New department stores layout are closely monitored and modified to maximise the customer flow. Complimentary amenities such as children's playground, internet cafe, restaurants and cinemas have been introduced at different stores.

To manage the store network expansion, the Group has completed an information and technology system upgrade, with functions covering financial analysis modules, logistics and point-of-sale (POS) management operations. Internal control procedures have also been improved thereby boosting the overall operational and management efficiency. For instance the Group is in the process of exploring the use of office automation (OA) systems to further promote operation efficiency and to enhance corporate governance.

BUSINESS OUTLOOK

Despite a general slowdown in the growth of the PRC's retail business sector, the Directors remain optimistic about the business development of the Group. Favourable PRC government policies are expected to continue to stimulate the domestic consumption providing a favourable backdrop for the retail industry as a whole. Thus, the Group is continuing to implement its twofold strategy of further enhancing its market presence in Shenzhen and exploring opportunities in third-tier cities in Guangdong Province and elsewhere that are undergoing rapid urbanisation.

Strategic expansion and optimisation of the store network

In view of the market opportunities arising from the rapid urbanisation of lower-tier cities, the Group tapped the market of Shanwei in Guangdong Province back in 2012. Leveraging this experience, the Group plans to further increase its market presence in Shanwei by opening the third department store in the area. A new department stored located in a six-storey commercial property owned by the Group in Lufeng District in Shanwei with a GFA of 25,855.8 sq.m. is expected to open during the second half of 2014.

Meanwhile, the Group is striving to improve its market position in Shenzhen. Depending on the market sentiment and the performance of the other new departments stores of the Group, a new department store located in a five-storey building in Nankang, Longhua New District with a GFA of 28,000.0 sq.m. and a new department store located in a three-storey building and its basement in Yitian, Futian District with a GFA of 17,500.0 sq.m. are expected to open in 2015 and 2015 or 2016, respectively.

In addition to expanding the store network, the Group has taken the initiatives aimed at delivering a superior and more convenient shopping experience for customers. From time to time, store layouts and interior decoration are refurbished and product sections have re-located to provide customers with a new dimension in shopping. The Group is also evaluating the introduction of new or additional sections such as home furniture, or amenities such as children's playgrounds, internet cafe, restaurants and cinemas within store premises in order to increase customer flow and provide a wider range of activities to attract shoppers.

Corporate initiatives to enhance efficiency and performance

On the corporate side, the Group has initiated a series of measures to maintain its sustainable development. Besides staff professional training and management trainee programs, internal control procedures have also been implemented to improve customer service and boost management and employee efficiency as well as to deliver an overall better performance. To recognise and reward employees for their contributions to the business and development of the Group, as well as to provide incentives to raise their performance, an employees' share award scheme (the "**Employees' Share Award Scheme**") was adopted in January 2014 in addition to the share option scheme (the "**Share Option Scheme**") adopted on 30 October 2010. The Employees' Share Award Scheme is intended to retain productive and efficient employees and align their interests with those of the Group and subsequently boost its overall performance. As of the date of this announcement, no option has been granted under the Share Option Scheme and no award has been granted under the Employees' Share Award Scheme since their respective adoption.

New business development and potential investment opportunities

The better market conditions and the greater financial resources currently available to the Group will facilitate its ongoing efforts to explore new business and investment opportunities in the retail or related sectors. The Directors will focus on the business and investment opportunities that could offer synergies with the Group's existing business.

III. FINANCIAL REVIEW

Total gross sales proceeds

During the six months ended 30 June 2014, 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 1,053.2 million, representing a decrease of 7.2% from RMB1,134.9 million in the same period of 2013. The decrease in total gross sales proceeds was principally due to decrease in the sales from old stores in Shenzhen amid the intense competition and overall economic slowdown in tier are cities as well as the lost of sales contribution resulting from the closure/sub-leasing of department stores in Dongguan, Guangdong Province. The decrease in the total gross sales proceeds was partly mitigated by the increase in the sales from new department stores opened in 2012 and 2013.

Revenue generated from direct sales of the Group amounted to RMB516.5 million and the total sales proceeds from concessionaire sales amounted to RMB532.3 million, accounting for 49.0% and 50.5%, respectively, of the Group's total gross sales proceeds for the six months ended 30 June 2014. For the same period in 2013, revenue from direct sales amounted to RMB574.0 million, while the total sales proceeds from concessionaires sales amounted to RMB556.7 million, accounted for 50.6% and 49.1% respectively of the Group's total gross sales proceeds.

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			
	2014		2013	
	RMB' million	*%*	*RMB' million*	*%*
Electronics and home appliances	**120.8**	**11.5**	130.7	11.5
Clothes, apparel and bedding	**242.2**	**23.0**	272.6	24.0
Children's goods	**27.5**	**2.6**	29.1	2.6
Sporting and stationery goods	**26.9**	**2.5**	27.8	2.4
Food and beverages	**462.0**	**43.9**	499.5	44.0
Daily necessities and cosmetic goods	**169.4**	**16.1**	171.0	15.1
Income from reversal of long-aged pre-paid gift cards	**4.4**	**0.4**	4.2	0.4
	1,053.2	**100.0**	1,134.9	100.0

Revenue

The Group's revenue amounted to RMB641.1 million for the six months ended 30 June 2014, representing a decrease of 8.0% as compared with RMB696.7 million in the same period of 2013. The decrease was principally due to decrease in the direct sales in old stores amid intense competition and overall economic slowdown in tier one cities, and the slightly decrease in rental income resulting from store adjustments. The decrease was offset by the increase in the commission generated from the concessionaire sales at existing department stores.

Direct sales decreased by 10.0% to RMB516.5 million for the six months ended 30 June 2014 from RMB574.0 million in the same period of 2013, principally due to the decrease in the sales from old stores in Shenzhen, mitigated by the increase in direct sales from the new stores opened in 2012 and 2013. Direct sales as a percentage of the Group's total revenue was 80.6% for the six months ended 30 June 2014 as compared with 82.4% in the same period of 2013.

Commission from concessionaire sales increased by 3.6% to RMB75.4 million for the six months ended 30 June 2014 from RMB72.8 million in the same period of 2013, mainly due to the higher commission rate charged at the existing stores resulting from an effective advertising and promotion campaigns, offset by the decrease in concessionaire sales from old stores. The commission rate of concessionaire sales was 14.2% as compared with 13.1% for the same period in 2013. Commission from concessionaire sales as a percentage of the Group's total revenue was 11.8% for the six month ended 30 June 2014 as compared with 10.5% for the same period in 2013.

Rental income decreased slightly by 2.0% to RMB44.8 million for the six month ended 30 June 2014 from RMB45.7 million for the same period in 2013, mainly due to strategic adjustments for the sublease area at old stores. Rental income as a percentage of the Group's total revenue was 7.0% for the six month ended 30 June 2014 as compared with 6.6% for the same period in 2013.

Income from reversal of long-aged unredeemed pre-paid cards increased by 4.8% to RMB4.4 million for the six months ended 30 June 2014 from RMB4.2 million in the same period of 2013.

Other operating revenue

Other operating revenue increased slightly by 3.5% to RMB52.9 million for the six months ended 30 June 2014 from RMB51.1 million in the same period in 2013, mainly due to the increase in credit card handling fees for concessionaire sales as well as government grants.

Other gain/(loss), net

Other net gain amounted to RMB4.4 million for the six months ended 30 June 2014 as compared with other net loss of RMB28.0 million in the same period of 2013, mainly due to the receipt of an one-off relocation compensation in total amount of RMB12.31 million from the landlord of the leased premises of Mingxing Store in the first half of 2014. The increase was offset by a further provision for penalty charge and loss on disposal of property, plant and equipment amounted to RMB7.4 million as a result of the closure of certain department stores in 2013. Other net loss of RMB28.2 million was recognized in the same period of 2013 mainly due to an one-off impairment losses and provision for penalty charge recognized for certain stores in Dongguan.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB446.3 million for the six months ended 30 June 2014, representing a decrease of 11.8% as compared with RMB506.2 million in the same period of 2013. As a percentage of revenue from direct sales, purchase of and changes in inventories was 86.4% for the six months ended 30 June 2014 as compared with 88.2% in the same period of 2013.

Employee benefit

Employee benefit decreased by 10.7% to RMB87.5 million for the six months ended 30 June 2014 from RMB98.0 million in the same period in 2013, primarily due to the restructuring of staff in old stores and head office as well as the closure and sub-leasing of certain department stores in Dongguan in 2013 and 2014, offset by the increase in headcounts for the two new stores opened in 2013.

Depreciation and amortization

Depreciation and amortization decreased by 37.8% to RMB26.7 million for the six months ended 30 June 2014 from RMB42.9 million in the same period in 2013 which was principally due to the closure of certain department stores in Dongguan in 2013, offset by the two new stores opened in 2013.

Operating lease rental expenses

Operating lease rental expenses decreased by 20.0% to RMB73.7 million for the six months ended 30 June 2014 from RMB92.1 million in the same period of 2013. The decrease was principally attributable to the closure and sub-leasing of certain department stores in Dongguan, offset by the two new 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 slightly by 3.7% to RMB57.6 million for the six months ended 30 June 2014 from RMB59.8 million in the same period in 2013. This was primarily due to the efficient cost controls and savings for the existing stores and head office.

Operating profit/(loss)

As a result of the reasons mentioned above, the Group's operating profit amounted to RMB6.6 million for the six months ended 30 June 2014 as compared with the operating loss of the Group of RMB79.3 million in the same period in 2013.

Finance income

Finance income decreased by 5.9% to RMB12.8 million for the six months ended 30 June 2014 from RMB13.6 million in the same period of 2013 which was primarily attributable to the lower interest income earned from bank deposits.

Finance costs

Finance costs increased by 20.0% to RMB1.2 million for the six months ended 30 June 2014 from RMB1.0 million in the same period of 2013 which was primarily attributable to the increase in borrowing principal as a result of the unfavourable change in exchange rate.

Income tax expense

Income tax expense amounted to RMB4.9 million for the six months ended 30 June 2014, representing a decrease of 50.5% from RMB9.9 million in the same period of 2013. The effective tax rate applicable to the Group for the six months ended 30 June 2014 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%.

Profit/(Loss) attributable to equity shareholders of the Company

As a result of the aforementioned, profit attributable to equity shareholders of the Company amounted to RMB13.4 million for the six months ended 30 June 2014 as compared with the loss of RMB76.6 million in the same period of 2013, representing an increase of 117.5%.

IV. INTERIM DIVIDEND

In view of the working capital requirements for the business operation of the Group, the Board does not recommend any interim dividend for the six months ended 30 June 2014 (2013: Nil).

V. LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2014, the Group's cash and cash equivalents amounted to RMB516.1 million, decreased by RMB110.2 million from RMB626.3 million as of 31 December 2013. The cash and cash equivalents, which were in Hong Kong dollars and RMB, were deposited with banks in Hong Kong and the PRC as short-term deposits for interest income.

As of 30 June 2014, the Group's bank deposits amounted to RMB901.9 million, decreased by RMB17.1 million from RMB919.0 million as of 31 December 2013. The bank deposit which were in RMB, were deposited with banks in Hong Kong as long-term fixed deposits for interest income, in which RMB388.0 million (31 December 2013: RMB388.4 million) were pledged to bank as restricted bank deposit to secure borrowings.

As of 30 June 2014, the Group's outstanding bank borrowings amounted to RMB238.1 million (31 December 2013: RMB235.9 million). The borrowings are denominated in Hong Kong dollars with average interest rate of 0.980% per annum (31 December 2013: 0.882%). The gearing ratio of the Group expressed as a percentage of interest-bearing bank loans over the total assets was 9.9% as of 30 June 2014 (31 December 2013: 9.3%). 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 30 June 2014 were RMB506.8 million (31 December 2013: RMB539.0 million), representing a decrease of RMB32.2 million. The net assets of the Group as of 30 June 2014 decreased to RMB1,232.8 million (31 December 2013: RMB1,219.5 million), representing a decrease of 1.1%.

Foreign exchange exposure

The business operation 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 six months ended 30 June 2014, the Group recorded a net foreign exchange loss of RMB2.2 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 2014, the total number of employees of the Group was 2,382. 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 Group adopted the Employee's Share Award Scheme on 22 January 2014 for rewarding their satisfactory performance. 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.

Contingent liabilities

As at 30 June 2014, 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 interim review.

VI. AUDIT COMMITTEE

As of the date of this announcement, 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 period, the Audit Committee has held two meetings with management, 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, annual results for the year ended 31 December 2013 and unaudited interim results for the six months ended 30 June 2014.

VII. CORPORATE GOVERNANCE

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 2014, 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").

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 the 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.

VIII. 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 six months ended 30 June 2014.

IX. 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 2014.

X. PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK CHANGE 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 2014 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.

XI. 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 of the Board

Hong Kong, 25 August 2014

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