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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board refers to the positive profit alert announcement of the Company dated 26 January 2015. The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2014:–

– Revenue of the Group was RMB1,268.7 million, representing a decrease of 6.5% as compared with the revenue of RMB1,356.5 million in 2013;

– Total gross sales proceeds[(1)] of the Group were RMB2,258.9 million, representing a decrease of 3.8% as compared with the gross sales proceeds of RMB2,348.4 million in 2013;

– Operating profit of the Group was RMB24.8 million, representing a significant increase of 110.2% as compared with operating loss of RMB242.3 million in 2013;

– Profit attributable to the owners of the Company was RMB32.8 million as compared with the loss attributable to the owners of the Company of RMB219.5 million in 2013;

– Basic earnings per Share was RMB0.01;

– Net asset value per Share was RMB0.51; and

– Proposed final dividend of RMB0.0036 (equivalent to approximately HKD0.0046) per Share or in the total amount of RMB9.0 million (equivalent to approximately HKD11.4 million) (2013: Nil).

Note:

[(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 prepaid cards.

In 2014, the Group recorded an operating profit of RMB24.8 million. The significant improvement in profitability was primarily due to the implementation of effective business development strategy by the Group for improving the performance of its department stores, especially the performance of the department stores opened by the Group during the last two years, and the receipt of an one-off relocation compensation in different instalments in the total amount of RMB12.31 million during the year. Moreover, other than penalty charges for early cancellation of lease contracts of RMB3.7 million in 2014, the Group did not have any material amount of impairment loss and penalty charges which amounted to RMB160.7 million in 2013 as a result of closure or under-performance of certain department stores of the Group in 2013.

In view of the significant improvement in profitability of the Group and as the Board's appreciation of the continuous supports from the shareholders of the Company (the "**Shareholders**"), the Board has proposed a final cash dividend of RMB0.0036 (equivalent to approximately HKD0.0046) per Share, or in the total amount of RMB9.0 million (equivalent to approximately HKD11.4 million) (2013: Nil). The proposed final dividend is subject to the approval of the Shareholders' approval at the Annual General Meeting.

I. FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "**Board**") of directors (the "**Directors**") of Shirble Department Store Holdings (China) Limited (the "**Company**") refers to the positive profit alert announcement of the Company dated 26 January 2015. The following sets forth the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,268,733**	1,356,502
Other operating revenue	*4*	**126,746**	110,317
Other gains/(losses), net	*5*	**3,558**	(153,836)
Purchase of and changes in inventories	*6*	**(877,117)**	(992,297)
Employee benefits	*6,7*	**(178,477)**	(190,029)
Depreciation and amortisation	*6*	**(47,509)**	(63,317)
Operating lease rental expenses	*6*	**(145,293)**	(186,498)
Other operating expenses, net		**(125,868)**	(123,147)
Operating profit/(loss)		**24,773**	(242,305)
Finance income	*8*	**26,188**	27,194
Finance costs	*8*	**(2,478)**	(2,080)
Finance income – net	*8*	**23,710**	25,114
Profit/(loss) before income tax		**48,483**	(217,191)
Income tax expense	*9*	**(15,709)**	(2,324)
Profit/(loss) for the year		**32,774**	(219,515)
Profit/(loss) attributable to:			
Owners of the Company		**32,774**	(219,515)
Earnings/(loss) per share for the profit/(loss) attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic and diluted	*10*	**0.01**	(0.09)
Dividends	*11*	**8,976**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit/(loss) for the year	**32,774**	(219,515)
Other comprehensive income/(loss):		
Items that maybe reclassified to profit or loss		
Change in fair value of investment properties	**8,407**	–
Currency translation differences	**(12)**	198
Other comprehensive income for the year	**8,395**	198
Total comprehensive income/(loss) for the year	**41,169**	(219,317)
Attributable to:		
Owners of the Company	**41,169**	(219,317)

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Investment properties	*12*	**64,000**	–
Property, plant and equipment		**613,285**	453,841
Intangible assets		**19,664**	21,618
Deferred income tax assets		**51,481**	54,134
Trade and other receivables		**1,339**	150,920
		749,769	680,513
Current assets			
Inventories		**176,132**	219,935
Trade and other receivables	*13*	**81,095**	81,200
Bank deposits		**931,118**	919,007
Cash and cash equivalents		**554,810**	626,291
		1,743,155	1,846,433
Total assets		**2,492,924**	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		**208,429**	196,733
Accumulated loss		**(56,037)**	(85,510)
Total equity		**1,260,638**	1,219,469

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**3,251**	–
Current liabilities			
Trade and other payables	*14*	**953,058**	1,044,445
Income tax payable		**39,316**	27,163
Borrowings		**236,661**	235,869
		1,229,035	1,307,477
Total liabilities		**1,232,286**	1,307,477
Total equity and liabilities		**2,492,924**	2,526,946
Net current assets		**514,120**	538,956
Total assets less current liabilities		**1,263,889**	1,219,469

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 People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

These annual financial statements for the year ended 31 December 2014 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

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Direct sales		**1,021,317**	1,121,355
Commission from concessionaire sales		**159,970**	163,054
Rental income	*(i)*	**74,705**	62,267
Income from reversal of long-aged unredeemed prepaid cards		**12,741**	9,826
		1,268,733	1,356,502

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Sublease rental income	**68,554**	53,187
Contingent rental income	**6,151**	9,080
	74,705	62,267

4. OTHER OPERATING REVENUE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Promotion, administration and management income	**116,785**	106,890
Credit card handling fees for concessionaire sales	**6,443**	1,584
Others	**3,518**	1,843
	126,746	110,317

5. OTHER GAINS/(LOSSES), NET

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Relocation compensation	*(i)*	**12,310**	–
Compensation for the contract damages		**3,002**	1,400
Impairment loss for property, plant and equipment and intangible assets	*(ii)*	**–**	(139,158)
Loss on disposal of property, plant and equipment		**(4,409)**	(633)
Loss on cancellation of lease contracts	*(ii)*	**(3,686)**	(21,509)
Provision for legal claims		**(3,004)**	(715)
Provision for prepayment and other receivables		**(490)**	(1,149)
Write back of allowance for tendering deposit		**–**	10,000
Others		**(165)**	(2,072)
		3,558	(153,836)

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

(ii) For the year ended 31 December 2014, the amount 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 year ended 31 December 2013, the amount represented the impairment loss for property, plant and equipment and intangible assets and provision for penalty charge as a result of cancellation of lease contracts of department stores in Dongguan, Guangdong Province.

6. EXPENSES BY NATURE

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Purchase of and changes in inventories	**877,117**	992,297
Employee benefits	**178,477**	190,029
Depreciation and amortisation	**47,509**	63,317
Operating lease rental expenses	**145,293**	186,498
Utilities	**47,297**	51,925
Auditor's remuneration		
– Audit services	**4,471**	5,267
– Non-audit services	**350**	635
Other expenses	**73,750**	65,320
	1,374,264	1,555,288

7. EMPLOYEE BENEFITS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Wages and salaries	**158,779**	172,404
Social security costs	**19,544**	16,876
Others	**154**	749
	178,477	190,029

8. FINANCE INCOME, NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**26,188**	27,194
Finance costs		
Interest expenses	**(2,478)**	(2,080)
Finance income, net	**23,710**	25,114

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**12,607**	8,356
Deferred income tax	**3,102**	(6,032)
	15,709	2,324

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit/(loss) before income tax	**48,483**	(217,191)
Tax calculated at a tax rate of 25% (2013: 25%)	**12,121**	(54,298)
Tax impact of:		
– Expenses not deductible for tax purposes	**2,681**	5,908
– Unrecognised tax loss	**458**	50,714
– Withholding tax on dividend	**449**	–
Income tax expense	**15,709**	2,324

(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. EARNINGS/(LOSS) PER SHARE

(i) Basic

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Earnings/(loss) attributable to owners of the Company	**32,774**	(219,515)
Weighted average number of ordinary shares in issue *(thousands)*	**2,495,000**	2,495,000
Basic earnings/(loss) per share *(RMB per share)*	**0.01**	(0.09)

(ii) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

Diluted earnings/(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

On 23 March 2015, the board of directors of the Company proposed to declare a final cash dividend of RMB0.0036 (equivalent to approximately HKD0.0046) per share for the year ended 31 December 2014, totaling RMB8,976,000 (equivalent to approximately HKD11,378,000). It was not recognised as a liability as at 31 December 2014.

12. INVESTMENT PROPERTIES

	2014	2013
	RMB'000	*RMB'000*
At fair value		
Opening balance at 1 January	**–**	–
Transfer from owner-occupied property	**52,791**	–
Increase in fair value at the date of transferring from property, plant and equipment (i)	**11,209**	–
	64,000	–

Amounts recognised in profit and loss for investment properties

	2014	2013
	RMB'000	*RMB'000*
Rental income	**850**	–

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

The fair value of the Group's investment properties falls under level 3 in the fair value hierarchy.

An independent valuation of the Group's investment properties was performed by an independent valuer to determine the fair value of the investment properties as at 31 December 2014.

(i) As at the date of transferring from property, plant and equipment, the increase in fair value of RMB11,209,000 had been recognised in reserve (2013: Nil).

(ii) Subsequent to the date of transferring from property, plant and equipment, no gains from fair value had been recognised in other gains or losses (2013: Nil).

13. TRADE AND OTHER RECEIVABLES

	Note	As of 31 December **2014** ***RMB'000***	 2013 *RMB'000*
Current portion:			
Trade receivables	*(i)*	**16,055**	13,224
Prepayments		**8,778**	9,420
Lease deposits		**32,904**	34,141
Amount due from a related party		**27**	–
Other receivables		**4,409**	3,992
Prepaid rental		**5,563**	5,935
Interest receivables		**13,359**	14,488
		81,095	81,200
Non-current portion:			
Prepayments for acquisition of a property in Lufeng		**–**	144,792
Prepayments for construction project		**1,339**	6,128
		1,339	150,920
		82,434	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 aging 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 of 31 December **2014** ***RMB'000***	 2013 *RMB'000*
0-30 days	**13,397**	9,523
31-90 days	**1,938**	2,554
91-365 days	**720**	1,147
	16,055	13,224

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

As of 31 December 2014 trade receivables of RMB16,055,000 were fully performing (2013: RMB13,224,000).

14. TRADE AND OTHER PAYABLES

	Note	As of 31 December 2014 RMB'000	2013 RMB'000
Trade payables	*(i)*	**227,195**	304,046
Rental payables		**182,372**	180,969
Other taxes payables		**21,743**	12,857
Deferred income	*(ii)*	**35,139**	33,010
Accrued wages and salaries		**20,233**	22,701
Amount due to related parties		**156**	81
Advances from suppliers		**5,864**	5,970
Advances received from customers	*(iii)*	**337,293**	382,142
Other payables and accruals		**123,063**	102,669
		953,058	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 is as follows:

	As of 31 December 2014 RMB'000	2013 RMB'000
0-30 days	**89,089**	124,418
31-60 days	**51,942**	69,091
61-90 days	**16,810**	15,413
91-365 days	**33,389**	51,902
1 year – 2 years	**4,992**	35,843
2 years – 3 years	**23,596**	7,128
Over 3 years	**7,377**	251
	227,195	304,046

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

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

15. CAPITAL COMMITMENTS

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

		As of 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Capital commitments – expenditures of property, plant and equipment			
– Contracted but not provided for		**1,346**	69,714

II. MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

According to the Ministry of Commerce of the People's Republic of China, China has become the second largest retail industry of the world after rapid growth in previous years. After years of rapid growth, a slowdown in the growth rate of the retail sales of consumer goods is expected in the coming years and no significant consumption stimulus policies was announced by the PRC government recently. However, the moderately increasing consumption demand still provides opportunities for retailers to expand their business in China, with promising trends emerging in second- or third-tier cities as the first-tier cities are reaching saturation amidst fierce competition.

Moreover, the consumption demand and shopping preference in the domestic PRC retail market are generally evolving. Customers in second- and third-tier cities are becoming increasingly in demand for branded retailers to provide quality goods and services. Also, online markets have provided a wider and easier platform for customers to shop, and hence, retailers have been placing more effort on product quality improvement and assurance, as well as the opening of different sales channels.

BUSINESS REVIEW

With the appointment of the new senior management in September 2013 and the implementation of effective strategic and operational restructuring measures resulting in the improvement of the performance of its department stores, in particular, the performance of the department stores opened by Group during the last two years, the Group witnessed a significant improvement in profitability in 2014. For the year ended 31 December 2014, the profit attributable to the shareholders was RMB32.8 million, a turnaround from the net loss of RMB219.5 million for the corresponding period in 2013.

Strategic enhancement of store network and store business model

In 2014, the Group has maintained its two-pronged strategy to bolster its competitiveness in the retail market. While maintaining Shenzhen as the foundation and focus of the Group, the Group has continued to strengthen its market presence in developing suburbs of Shenzhen and other second- and third-tier cities in the Guangdong Province with high growth potential.

In order to significantly reduce the operating loss incurred in 2013, the Directors have also decided to restructure the store network in new markets. The stores in Dongguan, which experienced the most challenging operating market had sustained operating losses with insignificant revenue contributions. Hence, the Group ceased the operations of two department stores in Dongguan at the end of December 2013, and sub-leased and terminated the lease of the remaining two department stores in the same area in April 2014 and August 2014, respectively.

In respect of the department stores in other areas, the Group has effectively implemented a business development strategy to boost the performance of the new department stores opened in 2012 and 2013. Leveraging its experience in tapping the market of Shanwei in the Guangdong Province back in 2012, the Group decided to further increase its market presence there by opening its fourth department store in the area. Lufeng store, located in a six-storey commercial property owned by the Group in Lufeng District in Shanwei with a gross floor area (GFA) of 25,855.8 sq.m., was opened in September 2014. Being a new business model trial-run which captures the essentials of a shopping mall, over half of the total area of the Lufeng Store is allocated for ancillary facilities such as cinemas, children playground, coffee shops and restaurants. In particular, one of the floors within Lufeng Store with GFA of 4,095.98 sq.m. was subleased to a connected person of the Company for the operation of a Chinese restaurant, which is one of the biggest Chinese restaurants in the area offering a place for large-scale banquets. In addition, to further optimise the operational efficiency and enhance shopping experience, the Group has decided to relocate Minxing Store, the only store in Shenzhen exclusively providing department store functions with a GFA of 7,920.1 sq.m., to premises elsewhere in Shenzhen. It is expected that it will re-open by 2016. The relocation resulted in a one-off relocation compensation in the amount of RMB12.31 million in the first half of 2014.

The store network restructuring and business model enhancement has successfully enhanced the Group's profitability, contributing in part to the Group's turnaround in 2014. In light of the improving performance of the Group in 2014, the Directors are confident about the business strategies implemented by the Group and also the growth prospects of the Group, and will continue to execute the expansion plan in a prudent manner.

As of 31 December 2014, the Group operated 19 department stores, with a total GFA of 338,720.1 sq.m., representing a slight increase of 0.1% in the total GFA when compared with a total of 21 department stores and a total GFA of 338,382.2 sq.m. as of 31 December 2013.

Direct sourcing and development of self-owned brands

The Group has been constantly reviewing and optimizing its merchandise mix in order to fulfill the different demands and tastes of different customers, especially those in new markets in lower-tier cities where the Group is focusing on the promotion of premium local branded products. In 2014, in order to differentiate its products from those offered by its competitors, as well as to enhance its direct sales margin, the Group has increased the proportion of direct sourcing for fresh food as well as imported and new products, and has furthermore commenced promoting its self-developed products and self-owned brand. More healthy food products and European products are introduced, and direct sourcing of more foreign-brands are currently under negotiation.

In October 2014, the Group has recruited a team of experienced bakers to operate bakery shops at selected stores. The first self-operated bakery shop was opened in the Wanxiang store at the beginning of 2015, and will be introduced at other stores later. The Group is also exploring other products for the development and diversification of its self-owned brands. Currently, the self-owned brand products of the Group include mainly non-food daily necessities and consumables such as toiletries, tissues, plastic wraps, broomsticks, etc.

Enhancement of information technology system

The Group's information and technology system is now fully operational and productivity enhancement including financial analysis modules, logistics and point-of-sale (POS) management operations functions have been implemented. Together with the improvement of internal control procedures, overall operational and management efficiency have been strengthened. The Group has also begun trial operation of an office automation (OA) system to bolster efficiency and corporate governance.

Corporate initiatives to enhance efficiency and performance

The Group has initiated a series of measures to maintain its sustainable development in human resources management. On top of staff professional training and management trainee programmes, internal control procedures and a profit sharing scheme have also been implemented to improve customer service and enhance management and employee productivity as well as to deliver an overall better performance. In January 2014, the Group has adopted an employees' share award scheme, intending to retain high calibre and loyal employees. In the second half of 2014, the key performance indicators evaluation scheme has also been introduced to boost employee's performance, resulting in a significant improvement in the Group's profitability.

BUSINESS OUTLOOK

In view of the fiercely competitive retail environment and the gradual recovery of the Group's profitability, the Directors believes that a cautious expansion plan with a slight shift of focus from store expansion to strengthening of its procurement and layout utilization will help the Group to maintain its market competitiveness.

Restructuring of store layout plan with more attractions

The Group aims at delivering an enhanced and more convenient shopping experience to customers whilst optimally utilizing the current store area. In the past two years, the Group has introduced new sections such as children's playgrounds, bakery shops, restaurants and cinemas within certain store premises (especially at new stores where a higher proportion of store area is dedicated to ancillary facilities) and has successfully increased customer flow in those stores.

In December 2014 and March 2015, in view of the rapid change and development of the surrounding areas, the Group entered into one agreement for the Hongbao store and two agreements for the Hongling store in Shenzhen, which are one of the oldest stores within the Group's store portfolio, respectively. Certain floors inside these stores will be sub-leased/leased to three third parties independent of and not connected with the Company or any of its connected persons, for the opening of two boutique hotels and one business office. Due to the infrastructural limitations of the two stores and the current low sales generated from local concessionaire counters on those floors, the Directors believe that those floors could be better utilized through the sub-lease/lease and the subsequent relocation of product sections whilst increasing both rental income and customer flow at those two stores.

The Group will continue to periodically evaluate the introduction of new or additional sections in order to provide a wider range of activities to attract shoppers, as well as to explore the opportunity to sub-lease store areas with low turnover to enhance store profitability.

Strategic alliances with suppliers and vertical integration

In order to differentiate its products from those of its competitors through offering greater variety, as well as to reduce procurement costs and improve direct sales margin, the Group has undergone a thorough review and restructuring of its supply chain management. From a high reliance on dealers and concessionaires, the Group has strived to increase a much higher proportion of direct sourcing for fresh food as well as for imported and new products from ultimate suppliers and manufacturers. The Group has also successfully secured more business partners to achieve a stable supply of high quality products during 2014.

The Group is in negotiation with an organic farmhouse for the provision of high quality organic fresh fruit and vegetables free from farm chemicals at competitive prices. The Group is also in discussion with leading overseas suppliers to secure high quality imported products such as cooking oil and foodstuff at lower prices. The Directors are optimistic about the demand for such healthy and organic food products in the PRC as a result of the increasing concern over food safety in the PRC.

Development of e-commerce business

In view of the popularity of e-commerce business, the Group has been conducting feasibility studies and budget planning, and has begun a trial-run of the sales and marketing channel via the O2O and WeChat platforms in December 2014. Several types of grocery products have been launched for sale, with delivery areas covering the Guangdong Province. Along with the enhancement of the Group's information system support and logistics arrangement, as well as quality control measures, more products that are currently available for sale at the Group's physical stores are expected to be rolled out for sale through online platform in stages. Online sales are also being explored with the aim to expand the sales channel of the Group's e-commerce business.

Prudent expansion and improved utilisation of store network

The Group will continue to implement its two-pronged strategy of further enhancing its market presence in Shenzhen and exploring opportunities in third-tier or lower tier cities in the Guangdong Province that are undergoing rapid urbanisation.

Depending on market sentiment and the performance of the other new department stores, new department stores in a five-storey building at Nankang, Longhua New District with a GFA of 28,000.0 sq.m. and in a three-storey building and its basement at Yitian, Futian District with a GFA of 17,500.0 sq.m. are expected to open in 2015 or 2016.

New business development and potential investment opportunities

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

III. FINANCIAL REVIEW

Total gross sales proceeds

During the year ended 31 December 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 2,258.9 million, representing a decrease of 3.8% from RMB2,348.4 million in 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 one cities as well as the loss 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 RMB1,021.3 million and the total sales proceeds from concessionaire sales amounted to RMB1,224.9 million, accounting for 45.2% and 54.2%, respectively, of the Group's total gross sales proceeds for the year ended 31 December 2014. For the year ended 31 December 2013, revenue from direct sales amounted to RMB1,121.4 million, while the total sales proceeds from concessionaires sales amounted to RMB1,217.2 million, accounted for 47.8% and 51.8% 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:

	Year ended 31 December			
	2014		2013	
	RMB' million	***%***	*RMB' million*	*%*
Electronics and home appliances	**251.3**	**11.1**	260.1	11.1
Clothes, apparel and bedding	**520.0**	**23.0**	577.5	24.6
Children's goods	**62.1**	**2.8**	58.5	2.5
Sporting and stationery goods	**81.3**	**3.6**	55.7	2.4
Food and beverages	**910.9**	**40.3**	993.3	42.3
Daily necessities and cosmetic goods	**420.6**	**18.6**	393.5	16.7
Income from reversal of long-aged pre-paid gift cards	**12.7**	**0.6**	9.8	0.4
	2,258.9	**100.0**	2,348.4	100.0

Revenue

Revenue of the Group amounted to RMB1,268.7 million for the year ended 31 December 2014, representing a decrease of 6.5% as compared with RMB1,356.5 million in 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. The decrease was offset by the increase in rental income and income from reversal of long-aged unredeemed pre-paid cards.

Direct sales decreased by 8.9% to RMB1,021.3 million for the year ended 31 December 2014 from RMB1,121.4 million in 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 80.5% for the year ended 31 December 2014 as compared with 82.7% in 2013.

Commission from concessionaire sales decreased slightly by 1.9% to RMB160.0 million for the year ended 31 December 2014 from RMB163.1 million in 2013, mainly due to the relatively lower commission rate as a result of promotional activities at old stores amid intense competition. The commission rate of concessionaire sales was 13.1% as compared with 13.4% in 2013. Commission from concessionaire sales as a percentage of the Group's total revenue was 12.6% for the year ended 31 December 2014 as compared with 12.0 % in 2013.

Rental income increased by 19.9% to RMB74.7 million for the year ended 31 December 2014 from RMB62.3 million in 2013, mainly due to the strategic enhancement of store business model with a higher proportion of rental area in new stores for complementary facilities and restructuring of store layout plan in some selected old stores to increase the proportion of rental area. Rental income as a percentage of the Group's total revenue was 5.9% for the year ended 31 December 2014 as compared with 4.6% in 2013.

Income from reversal of long-aged unredeemed pre-paid cards increased by 29.6% to RMB12.7 million for the year ended 31 December 2014 from RMB9.8 million in 2013.

Other operating revenue

Other operating revenue increased by 14.9% to RMB126.7 million for the year ended 31 December 2014 from RMB110.3 million in 2013, mainly due to the increase in promotion, administration and management income and credit card handling fees for concessionaire sales.

Other gains/(losses), net

Other net gain amounted to RMB3.6 million for the year ended 31 December 2014 as compared with other net loss of RMB153.8 million in 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 RMB8.1 million as a result of the closure of certain department stores in Dongguan, Guangdong Province, in 2013. Other net loss of RMB160.7 million was recognised in 2013 mainly due to impairment losses and related expenses recognised for those closed/under-performed stores in Dongguan, Guangdong Province.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB877.1 million for the year ended 31 December 2014, representing a decrease of 11.6% as compared with RMB992.3 million in 2013. As a percentage of revenue from direct sales, purchase of and changes in inventories was 85.9% for the year ended 31 December 2014 as compared with 88.5% in 2013.

Employee benefits

Employee benefits decreased by 6.1% to RMB178.5 million for the year ended 31 December 2014 from RMB190.0 million 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 three new stores opened in 2013 and 2014.

Depreciation and amortization

Depreciation and amortization decreased by 25.0% to RMB47.5 million for the year ended 31 December 2014 from RMB63.3 million in 2013 which was principally due to the closure of certain department stores in Dongguan in 2013, offset by the three new stores opened in 2013 and 2014.

Operating lease rental expenses

Operating lease rental expenses decreased by 22.1% to RMB145.3 million for the year ended 31 December 2014 from RMB186.5 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, remained stable at RMB125.9 million for the year ended 31 December 2014 as compared to RMB123.1 million in 2013.

Operating profit/(loss)

As a result of the reasons mentioned above, the Group's operating profit amounted to RMB24.8 million for the year ended 31 December 2014 as compared with the operating loss of the Group of RMB242.3 million in 2013.

Finance income

Finance income decreased by 3.7% to RMB26.2 million for the year ended 31 December 2014 from RMB27.2 million in 2013 which was primarily attributable to the lower interest income earned from bank deposits.

Finance costs

Finance costs increased by 19.0% to RMB2.5 million for the year ended 31 December 2014 from RMB2.1 million in 2013 which was primarily attributable to the increase in borrowing principal as a result of the unfavourable fluctuation in exchange rate.

Income tax expense

Income tax expense amounted to RMB15.7 million for the year ended 31 December 2014, representing an increase of 582.6% from RMB2.3 million in 2013. The effective tax rate applicable to the Group for the year ended 31 December 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 owners of the Company

As a result of the aforementioned, profit attributable to the Shareholders amounted to RMB32.8 million for the year ended 31 December 2014, representing an increase of 114.9% as compared with the loss of RMB219.5 million in 2013.

IV. DIVIDEND

The Board has proposed the declaration of a final dividend of RMB0.0036 (equivalent to approximately HKD0.0046) per Share or in the total amount of RMB9.0 million (equivalent to approximately HKD11.4 million) (2013: Nil) for the year ended 31 December 2014 which will be payable by way of cash in Hong Kong dollars. The Directors consider that this dividend level is appropriate after careful consideration of the operating results of the Group in 2014.

Even though the profitability of the Group declined in the past two years, the significant profit improvement of the Group for the year ended 31 December 2014 was attributable to the effort of the Directors who improved various operational aspects of the Group. The Directors remain optimistic on the future business development of the Group, and the proposed cash dividends represent the Board's appreciation of the continuous supports from the Shareholders.

The proposed final dividend is subject to the approval by the Shareholders at the annual general meeting of the Company (the "**Annual General Meeting**"). The proposed final dividend will be paid on or around 12 June 2015 to the Shareholders whose name appears on the register of members of the Company at the close of business on 29 May 2015.

V. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 May 2015 to Tuesday, 19 May 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the Annual General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 14 May 2015.

The register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2015.

VI. LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2014, the Group's cash and cash equivalents amounted to RMB554.8 million, representing a decrease by RMB71.5 million from RMB626.3 million as of 31 December 2013. 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 2014, the Group's bank deposits amounted to RMB931.1 million, representing an increase by RMB12.1 million from RMB919.0 million as of 31 December 2013. 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 RMB387.6 million (31 December 2013: RMB388.4 million) were pledged to bank as restricted bank deposit to secure borrowings.

As of 31 December 2014, the Group's outstanding bank borrowings amounted to RMB236.7 million (31 December 2013: RMB235.9 million). The borrowings are denominated in Hong Kong dollars with average interest rate of 1.047% 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 9.5% as of 31 December 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 31 December 2014 were RMB514.1 million (31 December 2013: RMB539.0 million), representing a decrease of RMB24.9 million. The net assets of the Group as of 31 December 2014 increased to RMB1,260.6 million (31 December 2013: RMB1,219.5 million), representing an increase of 3.4%.

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 2014, the Group recorded a net foreign exchange gain of RMB0.8 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 2014, the total number of employees of the Group was 2,470. 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 in 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 of 31 December 2014, the legal proceedings were ongoing. The Group has made a provision of approximately RMB8,088,000 (2013: RMB 5,084,000), 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.

VII. 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 three 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 2014.

VIII. REVIEW OF PRELIMINARY ANNOUNCEMENT

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2014.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary announcement.

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 2014, the Company has complied with the principles and code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The internal audit department has reported its findings and work plan to the Audit Committee twice a year, and the Board and the Audit Committee then reviewed and refined 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 and internal audit functions, 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 reported its progress to the Audit Committee and the Board in March 2014. The Audit Committee and the internal audit department followed up with the Company on the suggestions from the accounting firm. In November 2014, the Group also appointed the same accounting firm to assist the management to develop a standard operating procedures manual for certain operational functions of the Group for the purpose of enhancing the internal controls and efficiencies of those functions, the progress and adoption of which will be reported to the Board in stages in 2015. In addition, the Group also launched an office automation system on a trial basis in respect of the approval procedures of the Group in December 2014. The Board believes that the successful launch of the office automation system will further improve and streamline the internal control procedures of the Group. The enhancement of the internal control measures will 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 internal controls of the Group 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 2014.

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 2014.

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 of the Group for the year ended 31 December 2014 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

XIII. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 19 May 2015. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or around 16 April 2015.

XIV. 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 is also extended to the Group's partners and customers for their continuous support. The Board wishes to further thank all of the Shareholders and the investors of the Company for their utmost confidence in the Group 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, 23 March 2015

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.