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Shirble Department Store Holdings (China) Limited
歲寶百貨控股(中國)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00312)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board refers to the positive profit alert announcement of the Company dated 5 February 2016. The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2015:–

– Revenue of the Group was RMB1,389.5 million, representing an increase of 9.5% compared with the revenue of RMB1,268.7 million in 2014;

– Total gross sales proceeds[(1)] of the Group were RMB2,292.1 million, representing an increase of 1.5% compared with the gross sales proceeds of RMB2,258.9 million in 2014;

– Operating profit of the Group was RMB46.8 million, representing an increase of 88.7% compared with operating profit of RMB24.8 million in 2014;

– Profit attributable to the owners of the Company was RMB50.2 million, representing an increase of 53.0% compared with the profit attributable to the owners of the Company of RMB32.8 million in 2014;

– Basic earnings per Share was RMB0.02;

– Net asset value per Share was RMB0.52; and

– Proposed final dividend of RMB0.0024 (equivalent to approximately HKD0.0028) per Share or in the total amount of RMB5.9 million (equivalent to approximately HKD7.1 million) (2014: RMB0.0036 (equivalent to approximately HKD0.0046) per Share or in the total amount of RMB9.0 million (equivalent to approximately HKD11.4 million)). The proposed final dividend is subject to the Shareholders' approval at the Annual General Meeting.

In 2015, the Group recorded an operating profit of RMB46.8 million. The improvement in profitability compared with last year was primarily due to the Group's improvement in the operational efficiency and the additional rental income received from sub-leasing/leasing of certain store area as part of the Group's store layout plan during the year.

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.

I. FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 5 February 2016. The following sets forth the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,389,455**	1,268,733
Other operating revenue	*4*	**129,285**	126,746
Other gains, net	*5*	**3,216**	3,558
Purchase of and changes in inventories	*6*	**(966,506)**	(877,117)
Employee benefits	*6,7*	**(186,323)**	(178,477)
Depreciation and amortisation	*6*	**(48,500)**	(47,509)
Operating lease rental expenses	*6*	**(151,614)**	(145,293)
Other operating expenses, net	*6*	**(122,224)**	(125,868)
Operating profit		**46,789**	24,773
Finance income	*8*	**31,449**	26,188
Finance costs	*8*	**(3,190)**	(2,478)
Finance income – net	*8*	**28,259**	23,710
Profit before income tax		**75,048**	48,483
Income tax expense	*9*	**(24,829)**	(15,709)
Profit for the year		**50,219**	32,774
Profit attributable to:			
Owners of the Company		**50,219**	32,774
Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic	*10*	**0.02**	0.01
– Diluted	*10*	**0.02**	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Profit for the year		**50,219**	32,774
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of investment properties upon transfer, net of tax		**12,003**	8,407
Items that may be reclassified to profit or loss:			
Fair value change on available-for-sale financial assets, net of tax		**(19)**	–
Currency translation differences		**(659)**	(12)
Other comprehensive income for the year		**11,325**	8,395
Total comprehensive income for the year		**61,544**	41,169
Attributable to:			
Owners of the Company		**61,544**	41,169

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Investment properties	*12*	**159,700**	64,000
Property, plant and equipment		**498,928**	613,285
Intangible assets		**18,240**	19,664
Deferred income tax assets		**50,583**	51,481
Other receivables and prepayments	*14*	**45,654**	31,320
		773,105	779,750
Current assets			
Inventories		**165,642**	176,132
Available-for-sale financial assets	*13*	**37,265**	–
Trade receivables, other receivables and prepayments	*14*	**83,051**	51,114
Bank deposits		**607,533**	931,118
Cash and cash equivalents		**953,378**	554,810
		1,846,869	1,713,174
Total assets		**2,619,974**	2,492,924
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**213,908**	213,908
Share premium		**876,986**	894,338
Shares hold for share award scheme		**(14,531)**	–
Other reserves		**225,621**	208,429
Accumulated loss		**(9,071)**	(56,037)
Total equity		**1,292,913**	1,260,638

	Note	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**10,729**	3,251
Current liabilities			
Trade and other payables	*15*	**1,008,934**	953,058
Income tax payable		**56,058**	39,316
Borrowings		**251,340**	236,661
		1,316,332	1,229,035
Total liabilities		**1,327,061**	1,232,286
Total equity and liabilities		**2,619,974**	2,492,924

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 to operate 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 2015 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	
	2015	2014
	RMB'000	*RMB'000*
Direct sales	**1,116,100**	1,021,317
Commission from concessionaire sales	**161,330**	159,970
Rental income	**103,628**	74,705
Income from reversal of long-aged unredeemed prepaid cards	**8,397**	12,741
	1,389,455	1,268,733

4. OTHER OPERATING REVENUE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Promotion, administration and management income	**114,118**	116,785
Credit card handling fees for concessionaire sales	**11,894**	6,443
Others	**3,273**	3,518
	129,285	126,746

5. OTHER GAINS, NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Investment gain from redemptions on maturity and disposals of available-for-sale financial assets	**5,226**	–
Gains from fair value adjustment on investment properties *(Note 12)*	**4,600**	–
Compensation for the contract damages	**1,384**	3,002
Loss on disposals of property, plant and equipment	**(3,652)**	(4,409)
Provision for legal claims	**(5,996)**	(3,004)
Provision for prepayment and other receivables	**–**	(490)
Relocation compensation	**–**	12,310
Loss on cancellation of lease contracts	**–**	(3,686)
Others	**1,654**	(165)
	3,216	3,558

6. EXPENSES BY NATURE

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Purchase of and changes in inventories	**966,506**	877,117
Employee benefits expense	**186,323**	178,477
Operating lease rental expenses	**151,614**	145,293
Depreciation and amortisation	**48,500**	47,509
Utilities	**40,621**	47,297
Net foreign exchange loss	**13,242**	844
Transportation expenses	**6,026**	6,723
Office expenses	**5,843**	7,229
Bank charge fee	**5,868**	6,413
Other tax expenses	**4,593**	4,188
Auditor's remuneration		
– Audit services	**4,322**	4,471
– Non-audit services	**655**	350
Business travel expenses	**3,831**	3,849
Advertising costs	**2,254**	3,605
Other expenses	**34,969**	40,899
Total cost of sales, distribution expenses, and administration expenses	**1,475,167**	1,374,264

7. EMPLOYEE BENEFITS EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Wages and salaries	**167,431**	158,779
Social security costs	**16,091**	19,544
Share-based compensation expenses	**2,614**	–
Others	**187**	154
Total employee benefits expense	**186,323**	178,477

8. FINANCE INCOME, NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**31,449**	26,188
Finance costs		
Interest expenses	**(3,190)**	(2,478)
Finance income, net	**28,259**	23,710

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**20,005**	12,607
Deferred income tax	**4,824**	3,102
	24,829	15,709

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

	2015	2014
	RMB'000	*RMB'000*
Profit before income tax	**75,048**	48,483
Tax calculated at a tax rate of 25% (2014: 25%)	**18,762**	12,121
Tax impact of:		
– Expenses not deductible for tax purposes	**364**	2,681
– Unrecognised tax loss	**4,988**	458
– Withholding tax on dividend	**715**	449
Income tax expense	**24,829**	15,709

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

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.

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

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The repurchases of the Company's own ordinary shares was reflected in the weighted average number of ordinary shares in issue from the date shares were repurchased. The weighted average number of ordinary shares in issue changed in 2015 due to the purchase of shares for an employee's share award scheme.

	2015	2014
Profits attributable to owners of the Company (in RMB thousand)	**50,219**	32,774
Weighted average number of ordinary shares in issue (thousands)	**2,486,892**	2,495,000
Basic earnings per share (RMB per share)	**0.02**	0.01

(b) Diluted

The awarded shares granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company. No adjustment is made to earnings (numerator).

	2015	2014
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	**50,219**	32,774
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	**2,486,892**	2,495,000
Adjustments for awarded shares	**8,108**	–
Weighted average number of ordinary shares for diluted earnings per share	**2,495,000**	2,495,000
Diluted earnings per share (RMB per share)	**0.02**	0.01

11. DIVIDENDS

Pursuant to the resolutions by the annual general meeting of the Company held on 19 May 2015, a final dividend of RMB0.0036 per ordinary share amounting to RMB8,976,000 out of the share premium account for the year ended 31 December 2014 was approved and paid by the Company.

Pursuant to the resolutions passed by the Board of Directors on 24 August 2015, an interim dividend of RMB0.0034 per ordinary share amounting to RMB8,376,000 out of the share premium account in respect of the six months ended 30 June 2015 was declared and paid by the Company.

On 22 March 2016, the board of directors recommended a final dividend in respect of the year ended 31 December 2015 of RMB0.0024 (equivalent to approximately HKD0.0028) per share, amounting to RMB5,928,000 (equivalent to approximately HKD7,086,000).The final dividend is to be proposed out of the share premium account at the annual general meeting of the Company and these financial statements do not reflect this dividend payable.

	2015	2014
	RMB'000	*RMB'000*
Interim dividend paid of RMB0.0034 (2014:RMB Nil) per ordinary share	**8,376**	–
Proposed final dividend of RMB0.0024 (2014: RMB0.0036) per ordinary share	**5,928**	8,976
	14,304	8,976

12. INVESTMENT PROPERTIES

	2015	2014
	RMB'000	*RMB'000*
At fair value:		
Opening balance at 1 January	**64,000**	–
Transfer from property, plant and equipment	**75,096**	52,791
Increase in fair value at the date of transferring from property, plant and equipment *(i)*	**16,004**	11,209
Net gains from fair value adjustment *(ii)*	**4,600**	–
	159,700	64,000

The Group's investment properties are located in Shenzhen, Lufeng and Haifeng Guangdong Province, China.

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

(i) In 2015, as at the date of transferring from property, plant and equipment, the increase in fair value of RMB16,004,000 (2014: RMB11,209,000) had been recognised in reserve.

(ii) Subsequent to the date of transferring from property, plant and equipment, gains from changes in fair value of RMB4,600,000 in 2015 (2014: Nil) had been recognised in other gains, net.

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2015 and 2014 by an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations of the investment properties valued.

Valuation techniques

Valuations are based on:

(i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and

(ii) Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

(a) Rental income from investment properties

	2015	2014
	RMB'000	*RMB'000*
Rental income	**6,263**	850

As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	RMB'000	*RMB'000*
As at 1 January	–	–
Additions	**518,520**	–
Disposals	**(22,256)**	–
Redemptions on maturity	**(464,871)**	–
Currency translation differences	**665**	–
Fair value change recognised in other comprehensive income	**5,207**	–
As at 31 December	**37,265**	–

The Group's available-for-sale financial assets as at 31 December 2015 represented non-principal guaranteed wealth management products with variable return rate. The available-for-sale financial assets are denominated in RMB and USD.

The fair value of the wealth management products is based on its market price as at 31 December 2015. The fair value is within level 2 of the fair value hierarchy.

14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

		As of 31 December	
		2015	2014
	Notes	*RMB'000*	*RMB'000*
Current portion:			
Trade receivables	*(i)*	**33,105**	16,055
Interest receivable		**15,598**	13,359
Receivable from a trustee for the share purchase for the employees' share award scheme	*(ii)*	**14,502**	–
Prepayments		**8,673**	14,341
Other receivables		**6,662**	4,409
Lease deposits		**4,492**	2,923
Amounts due from a related party		**19**	27
		83,051	51,114
Non-current portion:			
Lease deposits		**30,555**	29,981
Prepayments for acquisition of a property		**12,007**	–
Prepayments for purchase of computer software		**1,661**	–
Prepayments for construction projects		**1,431**	1,339
		45,654	31,320
		128,705	82,434

(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 is as follows:

	As of 31 December	
	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**23,475**	13,397
31 – 90 days	**6,073**	1,938
91 – 365 days	**3,557**	720
	33,105	16,055

At 31 December 2015, trade receivables of RMB5,396,000 (2014: RMB1,115,000) were past due but not impaired. They relate to a number of corporate customers that have good reputation and good trading and settlement history maintained with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances.

All trade receivables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2015.

(ii) Receivable from a trustee for the share purchase for the employees' share award scheme

This receivable represented the Group's cash paid to an independent trustee for the purchase of the award shares for the employees' share award scheme.

15. TRADE AND OTHER PAYABLES

		As of 31 December	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
Trade payables	*(i)*	**260,706**	227,195
Rental payables		**187,901**	182,372
Other tax payables		**20,155**	21,743
Deferred income	*(ii)*	**25,937**	35,139
Accrued wages and salaries		**28,835**	20,233
Amount due to related parties		**157**	156
Advances from suppliers		**6,083**	5,864
Advances received from customers	*(iii)*	**345,356**	337,293
Deposits		**61,700**	47,965
Accrual for legal claims		**14,084**	8,088
Other payables and accruals		**58,020**	67,010
		1,008,934	953,058

All trade and other payables are denominated in RMB and their fair value approximated their carrying amount as at 31 December 2015.

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

	As of 31 December	
	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**123,759**	89,089
31 – 60 days	**48,145**	51,942
61 – 90 days	**19,294**	16,810
91 – 365 days	**37,464**	33,389
1 year – 2 years	**4,240**	4,992
2 years – 3 years	**4,104**	23,596
Over 3 years	**23,700**	7,377
	260,706	227,195

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

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

16. CAPITAL COMMITMENTS

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

	As of 31 December	
	2015	2014
	RMB'000	*RMB'000*
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	**7,893**	1,346

II. MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The PRC is expected to become the world's largest retail market in the coming years. Nonetheless, the performance of its domestic economy remained unsatisfactory in 2015 due to the PRC stock market crash and the weak exports as a result of less favourable global economic environment. Although the PRC government has launched a number of monetary and fiscal policies to stimulate its economy by shifting towards a consumption-driven economy, the growth of the PRC retail sector was slow in 2015 compared to the rapid growth during the beginning of the 2010s.

With the increasing use of mobile devices and the development of logistic networks in the PRC, the retail market landscape has changed recently from the traditional retail networks to e-commerce platforms. China has become the market with the highest total volume of online retail sales. The total gross sales amount of PRC online sales in 2015 is estimated to reach RMB12.9 trillion according to an announcement made by the Ministry of Industry and Information Technology of the PRC in November 2015.

The number of PRC online shoppers is expected to increase rapidly given the increasing use of mobile device and the convenience of e-commerce platforms. This development creates additional business opportunities to the retailers in the PRC.

BUSINESS REVIEW

Amidst the slow traditional retail market sector, the Group has strived to remain competitive through its continuous improvement in the operational efficiency and the launch of aggressive marketing campaigns. Since 2014, the Group has implemented a number of effective strategic and operational measures, resulting in organic sales growth and/or higher margins in different business sectors. For the year ended 31 December 2015, the Group has recorded an increase of 53.0% in profit amounting to RMB50.2 million from RMB32.8 million in 2014.

As at 31 December 2015, the Group operated a total of 19 department stores, covering a total gross floor area of 338,720.1 sq.m.. With the rapid development of the e-commerce platforms, the Group, being a branded retailer with a well-established store network in Guangdong Province, is well-positioned to tap the e-commerce market. To realise this opportunity, the Group will continue to focus on creating online sales channels, rather than expanding its store network in 2015. Through the establishment of its online-to-offline sales channels, the Group has expanded its target customer groups to cover a wider age group at different geographical locations which the Group previously had limited access because of the store network.

Establishment of online-to-offline sales channels

Following the successful trial run of the online sales through WeChat from late December 2014 to early 2015, the Group entered into a long-term strategic cooperation agreement with Jingdong Daojia ("京東到家") and other cooperation agreements with other e-commerce platforms in the second half of 2015 for the online-to-offline business model on the online stores and 10 of its department stores in Shenzhen, focusing mainly on supermarket merchandise. Since then, the Group has been recognised as one of the active players within this sector in Shenzhen with its brand and store network advantage.

Re-position of certain stores and restructure of store layout

To keep abreast of the constantly changing market environment, the Group has reviewed its market position of all of its department stores, and has re-defined the business model of the Hongling store and Hongbao store in Shenzhen, relocating the online-to-offline business model on the online stores and product arrangements so as to maximise the sales generated from the store floor area. Certain areas have been subleased/leased to third parties, which have been developed into two boutique hotels and an office, with the benefits of increasing both the rental income and the customer flow at those two stores.

For other stores of the Group, especially Haifeng store in Shanwei where the Group has substantially expanded its leased areas to introduce new ancillary facilities, such as children's playgrounds, restaurants and cinemas, the refined store layout has successfully increased the customer flow. Based on these successful arrangements, the Group continues to evaluate new or additional features to be offered and new activities to be launched at its stores to enhance the customers' shopping experience.

Development of direct procurement platform

In order to optimise its product mix to fulfill the demand of different customers, the Group has increased the percentage of the merchandise of fresh food and imported goods. As a result, the Group launched an increasing percentage of healthy food products and foreign-branded products during the year.

In the first half of 2015, the Group entered into a memorandum of understanding and a sales and purchase agreement with a leading Ukraine-based enterprise for an exclusive right to import and distribute branded edible sunflower seed oil products in the PRC. The Group has also entered into a cooperation agreement with an organic farmhouse in the PRC for the supply of quality fresh vegetables free from chemical fertilizer and pesticides at competitive prices. Special products such as Chinese-medicine flavored chicken, imported pasta and fruit juices have also been directly procured to enrich the Group's product mix.

All of these exclusive or special products are distributed through the Group's department stores. Special workshops (namely "**Shirble Kitchen**") and marketing activities have been arranged at the Group's stores to promote these products. The Group plans to commence its wholesale channel in the next stage to distribute these kind of products and continues to add more quality items with higher profitability to increase its margins.

Corporate initiatives to enhance efficiency and performance

In 2014, the Group introduced a new key performance indicators' assessment scheme to selected departments, which has successfully boosted the performance despite the stagnant market environment. Thus, this assessment scheme has been extended to cover other departments in 2015 with a view to improve the Group's overall profitability. The Group intends to review its ongoing corporate initiatives in order to create a more effective and efficient performance evaluation system.

Complementing the new assessment scheme, the Group has also granted the rights to receive 32,502,000 Shares in 2015 pursuant to the Group's share award scheme to a total of 88 employees. The Group believes that the scheme provides an incentive to reward the employees for their contributions to the business and development of the Group, as well as to retain these employees.

Training is essential for retail staff to provide consistently high quality and attentive service. Towards that end, the Group has also provided regular in-store training for its staff on customer services techniques, the latest market information and retail sales strategies.

BUSINESS OUTLOOK

Debut of i-shirble online platform

Following the success of the first stage of its online business, the Group has debuted its own i-Shirble (shirble) online platform since March 2016. The i-Shirble online platform includes both the desktop version and the mobile apps. The Group will promote the i-Shirble online platform through a series of in-store marketing activities to encourage offline-to-online sales, attracting customers from different demographic segments and locations. Upon the full operation of the i-Shirble online platform, the Group will also explore the potential of cross-border e-commerce sales to introduce a wider range of import products to enrich its merchandise mix.

Celebration of the Group's 20th anniversary

Established in 1996 in Shenzhen, the Group will celebrate its 20th anniversary in 2016. To mark this milestone, the Group will launch a series of featured marketing campaigns. Special promotions including cash rebates of up to RMB5,000 per individual, membership privileges for purchases exceeding a certain amount, social dating activities such as couple treasure hunts, and restaurant coupon redemption will be rolled out to boost sales and customer flow.

Store expansion and renovation plan

In view of the rapid development of e-commerce market and the relatively stagnant growth of the traditional retail market, the Group will carry out its store expansion plan prudently. Depending on the market conditions, it will open a new department store in 2016 within a three-storey building in Yitian, Futian District of Shenzhen with a gross floor area of approximately 17,500.0 sq.m. Operating under another brand name, this new store will be positioned as a more trendy shopping mall targeting customers with higher spending power by introducing more international and trendy brands and products. Due to uncertainties in the market development in Longhua New District, the opening plan for the group's other store, the Nankang Store, will be subject to further assessment of the market sentiment and the performance of the other new department store.

To focus on the enhancement of the shopping experience for customers, the Group plans to modify and improve the store layout of certain stores in order to bring to customers new shopping experiences and convenience.

Refinement of office automation system and suppliers' settlement management system

The Group introduces an office automation system to upgrade all manual internal procedures and approvals to be processed online. Upon the migration of all business operations procedures, the Group plans to refine its office automation system to include a more systematic suppliers' settlement management system in 2016 to enhance operational efficiency and maintain a strong cashflow.

Category management

In 2016, the Group intends to conduct an overall category management review to refine the Group's product mix, including decreasing the number of stock-keeping units ("**SKUs**") from approximately 18,000 to 15,000 units, introducing additional new product categories with a focus on quality export or special products. The Group believes that through the category management review, its overall sales and profitability will be improved.

Establishment of wholesale/import and export business

Following the procurement of more special products or products with exclusive distribution rights, the Group has set up a team dedicated to develop its wholesale/import and export business. The Group believes that this new business segment would not only be an opportunity to tap into a high-margin business segment by utilizing its established physical and online sales channels, but would also introduce the Group to regions and customers outside its current footprint concentrated in Guangdong province.

New business development and potential investment opportunities

The Directors will continue to explore and evaluate new business and investment opportunities in the retail and related sectors that could create synergies with the existing business of the Group and would be in the interest of the Shareholders.

III. FINANCIAL REVIEW

Total gross sales proceeds

During the year ended 31 December 2015, the Group's total gross sales proceeds (representing the aggregate of (a) revenue from direct sales of the Group, (b) total sales proceeds from concessionaire sales at the Group's department stores and (c) income from reversal of deferred income in respect of long aged unredeemed prepaid cards) were RMB2,292.1 million, representing an increase of 1.5% from RMB2,258.9 million in 2014. The increase in total gross sales proceeds was principally due to increase in sales as a result of improvement in overall operational efficiency.

Revenue generated from direct sales of the Group amounted to RMB1,116.1 million and the total sales proceeds from concessionaire sales amounted to RMB1,167.6 million, accounting for 48.7% and 50.9%, respectively, of the Group's total gross sales proceeds for the year ended 31 December 2015. For the year ended 31 December 2014, revenue from direct sales amounted to RMB1,021.3 million, while the total sales proceeds from concessionaires sales amounted to RMB1,224.9 million, accounted for 45.2% and 54.2% respectively of the Group's total gross sales proceeds.

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

	For the year ended 31 December			
	2015		2014	
	RMB' million	*(%)*	*RMB' million*	*(%)*
Food and beverages	**1,059.1**	**46.2**	910.9	40.3
Clothes, apparel and bedding	**383.0**	**16.7**	520.0	23.0
Daily necessities and cosmetic goods	**411.2**	**17.9**	420.6	18.6
Electronics and home appliances	**191.2**	**8.4**	251.3	11.1
Sporting and stationery goods	**191.0**	**8.3**	81.3	3.6
Children's goods	**48.2**	**2.1**	62.1	2.8
Income from reversal of long-aged pre-paid gift cards	**8.4**	**0.4**	12.7	0.6
	2,292.1	**100.0**	2,258.9	100.0

Revenue

The Group's revenue amounted to RMB1,389.5 million for the year ended 31 December 2015, representing an increase of 9.5% as compared to RMB1,268.7 million in 2014. The increase was principally due to additional rental income received, as well as organic growth of the direct sales and concessionaire sales.

Direct sales increased by 9.3% to RMB1,116.1 million for the year ended 31 December 2015 from RMB1,021.3 million in 2014, principally due to improvement in supermarket product mix and promotion of group purchases. Direct sales as a percentage of the Group's total revenue was 80.3% for the year ended 31 December 2015 as compared to 80.5% for the year ended 31 December 2014.

Commission from concessionaire sales increased by 0.8% to RMB161.3 million for the year ended 31 December 2015 from RMB160.0 million in 2014, mainly due to higher commission rate achieved upon enhancement of the concessionaires selection and renewal process. The commission rate of concessionaire sales was 13.8% as compared to 13.1% in 2014. Commission from concessionaire sales accounted for 11.6% of the Group's total revenue for the year ended 31 December 2015 as compared to 12.6% in 2014.

Rental income increased by 38.7% to RMB103.6 million for the year ended 31 December 2015 from RMB74.7 million in 2014, mainly due to the increase in the proportion of leased/sub-leased area for complementary facilities in different stores as a result of the restructuring of store layout plan. Rental income accounted for 7.5% of the Group's total revenue for the year ended 31 December 2015 as compared to 5.9% in 2014.

Income from reversal of long-aged unredeemed pre-paid cards decreased by 33.9% to RMB8.4 million for the year ended 31 December 2015 from RMB12.7 million in 2014 due to the decrease in pre-paid card issuance in past years.

Other operating revenue

Other operating revenue increased by 2.1% to RMB129.3 million for the year ended 31 December 2015 from RMB126.7 million in 2014, mainly due to an increase in credit card handling fees for concessionaire sales as a result of higher commission rate.

Other gain, net

Other net gain amounted to RMB3.2 million for the year ended 31 December 2015 as compared with RMB3.6 million in 2014, mainly due to the fair value revaluation gains from the investment properties of RMB4.6 million, and investment gain of RMB5.2 million from redemptions on maturity and disposals of available-for-sale financial assets, offset by the provision for legal claims of RMB6.0 million in 2015 and loss in disposals of property, plant and equipment of RMB3.7 million.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB966.5 million for the year ended 31 December 2015, representing an increase of 10.2% as compared with RMB877.1 million in 2014, which is in line with the increase in direct sales. Purchase of and changes in inventories accounted for 86.6% of the Group's direct sales for the year ended 31 December 2015 as compared with 85.9% in 2014.

Employee benefits

Employee benefits increased by 4.4% to RMB186.3 million for the year ended 31 December 2015 from RMB178.5 million in 2014, primarily due to the new store opened in the second half of 2014 as well as additional staff cost incurred for new KPI assessment scheme and share award scheme implemented in 2015.

Depreciation and amortization

Depreciation and amortization increased slightly by 2.1% to RMB48.5 million for the year ended 31 December 2015 from RMB47.5 million in 2014 mainly due to the relocation of both Hong Kong and PRC principal place of business.

Operating lease rental expenses

Operating lease rental expenses increased by 4.3% to RMB151.6 million for the year ended 31 December 2015 from RMB145.3 million in 2014. The increase was principally attributable to the one-off write-back adjustments as a result of the closure and sub-leasing of certain department stores in Dongguan in first half of 2014.

Other operating expenses, net

Other operating expenses, which principally comprised of utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges, exchange differences and maintenance expenses, decreased by 2.9% to RMB122.2 million for the year ended 31 December 2015 from RMB125.9 million in 2014. This was primarily due to the efficient cost controls and savings for the existing stores and head office.

Operating profit

As a result of the reasons mentioned above, the Group's operating profit amounted increased by 88.7% to RMB46.8 million for the year ended 31 December 2015 from RMB24.8 million in 2014.

Finance income

Finance income increased by 19.8% to RMB31.4 million for the year ended 31 December 2015 from RMB26.2 million in 2014 primarily as a result of the higher interest income earned from bank deposits and cash and cash equivalent.

Finance costs

Finance costs increased by 28.0% to RMB3.2 million for the year ended 31 December 2015 from RMB2.5 million in 2014 which was primarily as a result of an increase in interest rate and higher outstanding borrowings due to unfavourable exchange rate movements.

Income tax expense

Income tax expense amounted to RMB24.8 million for the year ended 31 December 2015, representing an increase of 58.0% from RMB15.7 million in 2014. The effective tax rate applicable to the Group for the year ended 31 December 2015 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 attributable to equity shareholders of the Company

As a result of the aforementioned, profit attributable to Shareholders amounted to RMB50.2 million for the year ended 31 December 2015, representing an increase of 53.0% as compared with the profit of RMB32.8 million in 2014.

IV. DIVIDEND

The Board proposes the declaration of a final dividend of RMB0.0024 per share (equivalent to approximately HKD0.0028) (2014: RMB0.0036 (equivalent to approximately HKD0.0046) per Share) or in the total amount of RMB5.9 million (equivalent to approximately HKD7.1 million) (2014: RMB9.0 million, (equivalent to approximately HKD11.4 million)) for the year ended 31 December 2015 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 2015.

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 17 June 2016 to the Shareholders whose name appears on the register of members of the Company at the close of business on 2 June 2016.

V. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 May 2016 to Tuesday, 24 May 2016 (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, 19 May 2016.

The register of members of the Company will be closed from Tuesday, 31 May 2016 to Thursday, 2 June 2016 (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 Monday, 30 May 2016.

VI. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's cash and cash equivalents and bank deposits amounted to RMB1,560.9 million, representing an increase of 5.0% from RMB1,485.9 million as at 31 December 2014. The cash and cash equivalents and bank deposits, which were in RMB and Hong Kong dollars, were deposited with banks in the PRC and Hong Kong for interest income.

As at 31 December 2015, the Group's outstanding bank borrowings amounted to RMB251.3 million (31 December 2014: RMB236.7 million). The borrowings are denominated in Hong Kong dollars with average interest rate of 1.321% per annum (31 December 2014: 1.047%). Restricted bank deposit of RMB394.8 million (31 December 2014: RMB387.6 million) were pledged to bank to secure the borrowings.

The gearing ratio of the Group expressed as a percentage of interest-bearing bank loans over the total assets was 9.6% as at 31 December 2015 (31 December 2014: 9.5%). 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 at 31 December 2015 were RMB530.5 million (31 December 2014: RMB484.1 million), representing an increase of 9.6%. The net assets of the Group as at 31 December 2015 increased to RMB1,292.9 million (31 December 2014: RMB1,260.6 million), representing an increase of 2.6%.

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 all its borrowings are denominated in Hong Kong dollars. The Company paid dividends in Hong Kong dollars. These transactions exposed the Group to foreign exchange risks arising from the exchange rate movement of Hong Kong dollars against RMB. For the year ended 31 December 2015, the Group recorded a net foreign exchange loss of RMB13.2 million. For the year ended 31 December 2014, the Group recorded a net foreign exchange loss 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 at 31 December 2015, the total number of employees of the Group was 2,283. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

To recognise and reward the eligible employees for their contributions to the business and development of the Group, the Company has adopted an employee's share award scheme on 22 January 2014. On 13 July 2015, the rights to receive 18,672,000 Shares have been granted to 28 eligible employees pursuant to the employee's share award scheme. Subsequently, on 17 December 2015, the rights to receive an additional 13,830,000 Shares have been granted to 60 eligible employees. As approved by the Board under the share award scheme, the aggregate of 32,502,000 Shares and the related income will be vested to the relevant employees during a period of three years commencing from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively.

Contingent liabilities

Certain suppliers have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As of 31 December 2015, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB14,084,000 (2014: RMB8,088,000), which the Directors believe is adequate to cover the Group's liabilities, if any, payable in respect of these claims.

Material acquisition 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 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 ended 31 December 2015, the Audit Committee held three regular meeting with the management, external auditors and internal control consultant to discuss on the Group's auditing, internal controls and financial reporting matters, and to review on the Group's internal control, audit planning, the interim result and the annual results for 2015.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2015.

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 year ended 31 December 2015.

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 2015, the Company has complied with the principles and code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The internal audit department has reported its findings and work plan to the Audit Committee twice in the 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 November 2014, the Group appointed a reputable 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 are reported to the Board by stages in 2015. In August 2015, the Group also appointed the same accounting firm to conduct a review on the Group's risk assessment and internal control, the report of which was presented to the Audit Committee and the Board in December 2015. The Audit Committee and the internal audit department has followed up with senior management of the Company on the suggestions from the accounting firm.

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, and 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. 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 2015.

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

This announcement is published on the websites of Stock Exchange and the Company. The annual report for the year ended 31 December 2015 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.

XII. 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 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, 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.

XIII. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 24 May 2016. 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 19 April 2016.

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

Hong Kong, 22 March 2016

As at the date of this announcement, the Board comprised 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.