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SHIRBLE DEPARTMENT STORE

歲寶百貨

Shirble Department Store Holdings (China) Limited

歲寶百貨控股(中國)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00312)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2016:–

– Revenue of the Group was RMB707.5 million, representing an increase of 5.2% as compared with the revenue of RMB672.4 million for the same period in 2015;

– Total gross sales proceeds[(1)] of the Group were RMB1,119.6 million, representing an increase of 5.1% as compared with the gross sales proceeds of RMB1,065.1 million for the same period in 2015;

– Operating profit of the Group was RMB36.8 million, representing an increase of 54.0% as compared with the operating profit of RMB23.9 million for the same period in 2015;

– Profit attributable to owners of the Company was RMB40.1 million, representing an increase of 45.8% as compared with the profit attributable to owners of the Company of RMB27.5 million for the same period in 2015;

– Basic earnings per Share was RMB0.02;

– Net asset value per Share was RMB0.53; and

– Interim cash dividend of RMB0.0049 (equivalent to approximately HKD0.0057) per Share or in the total amount of RMB12.2 million (equivalent to approximately HKD14.2 million) (2015: RMB0.0034 (equivalent to approximately HKD0.0041) per Share or in the total amount of RMB8.4 million (equivalent to approximately HKD10.2 million)).

Notes:

(1) Total gross sales proceeds represent the aggregate of the revenue from direct sales and total sales proceeds from concessionaire sales at the Group's department stores plus the reversal of deferred income in respect of long-aged unredeemed pre-paid cards.

I. INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "**Board**") of directors (the "**Directors**") of Shirble Department Store Holdings (China) Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in 2015. The unaudited consolidated results of the Group are prepared by the Group and reviewed by the audit committee (the "**Audit Committee**") of the Board and the Company's auditors, PricewaterhouseCoopers ("**PwC**").

INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 June **2016** *RMB'000* **(unaudited)**	2015 *RMB'000* (unaudited)
Revenue	*3*	**707,514**	672,410
Other operating revenue	*4*	**65,756**	61,221
Other gain/(loss), net	*5*	**1,578**	(679)
Purchase of and changes in inventories	*6*	**(498,966)**	(465,111)
Employee benefits	*6*	**(92,635)**	(89,458)
Depreciation and amortisation	*6*	**(22,608)**	(26,928)
Operating lease rental expenses	*6*	**(71,622)**	(76,023)
Other operating expenses, net	*6*	**(52,217)**	(51,536)
Operating profit		**36,800**	23,896
Finance income		**19,065**	16,914
Finance costs		**(1,172)**	(1,475)
Finance income – net		**17,893**	15,439
Profit before income tax		**54,693**	39,335
Income tax expense	*7*	**(14,634)**	(11,832)
Profit for the period		**40,059**	27,503
Profit attributable to:			
Owners of the Company		**40,059**	27,503
Earnings per share for the profit attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic and diluted	*8*	**0.02**	0.01

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**40,059**	27,503
Other comprehensive income:		
Item that may be reclassified to profit or loss		
Fair value (loss)/gains on available-for-sale financial assets, net of tax	**(846)**	1,617
Currency translation differences	**(265)**	5
Other comprehensive income for the period, net of tax	**(1,111)**	1,622
Total comprehensive income for the period	**38,948**	**29,125**
Total comprehensive income for the period attributable to:		
Owners of the Company	**38,948**	29,125

INTERIM CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
ASSETS			
Non-current assets			
Investment properties	9	**161,500**	159,700
Property, plant and equipment		**483,119**	498,928
Intangible assets		**20,485**	18,240
Deferred income tax assets		**49,261**	50,583
Other receivables and prepayment	12	**42,631**	45,654
		756,996	773,105
Current assets			
Inventories		**144,175**	165,642
Available-for-sale financial assets	11	**32,679**	37,265
Trade receivables, other receivables and prepayments	12	**78,289**	83,051
Bank deposits		**622,659**	607,533
Cash and cash equivalents		**719,789**	953,378
		1,597,591	1,846,869
Total assets		**2,354,587**	2,619,974
EQUITY			
Equity attributable to owners of the Company			
Share capital		**213,908**	213,908
Share premium		**871,098**	876,986
Shares held for share award scheme		**(15,279)**	(14,531)
Other reserves		**228,170**	225,621
Retained profits/(accumulated loss)		**30,988**	(9,071)
Total equity		**1,328,885**	1,292,913

	Note	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**12,348**	10,729
Current liabilities			
Trade and other payables	*13*	**830,082**	1,008,934
Income tax payable		**54,374**	56,058
Borrowings		**128,898**	251,340
		1,013,354	1,316,332
Total liabilities		**1,025,702**	1,327,061
Total equity and liabilities		**2,354,587**	2,619,974

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 5 November 2008 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "**Group**") are to operate in department stores in Mainland China (the "**PRC**").

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 ("**the interim period**") has been prepared in accordance with the International Accounting Standard ("**IAS**") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The Directors consider that the Group operates in a single business segment, i.e. operation and management of department stores in the PRC. Accordingly, no segmental analysis is presented.

3. REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Direct sales	**572,773**	539,910
Commission from concessionaire sales	**81,758**	83,868
Rental income	**51,062**	46,379
Income from reversal of long-aged unredeemed prepaid cards	**1,921**	2,253
	707,514	672,410

4. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Promotion, administration and management income	**58,249**	55,587
Credit card handling fees for concessionaire sales	**5,922**	3,912
Others	**1,585**	1,722
	65,756	61,221

5. OTHER GAIN/(LOSS), NET

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Change in fair value of investment properties *(Note 9)*	**1,800**	2,000
Compensation for the contract damages	**223**	953
Provision for legal claims *(Note 13)*	**(441)**	(4,069)
Loss on disposal of property, plant and equipment	**(188)**	(1,025)
Others	**184**	1,462
	1,578	(679)

6. EXPENSES BY NATURE

Expenses included in purchase of and changes in inventories, employee benefits, operating lease rental expenses, depreciation and amortisation, and other operating expenses were analysed as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Purchase of and changes in inventories	**498,966**	465,111
Employee benefit expenses	**92,635**	89,458
Operating lease rental expenses	**71,622**	76,023
Depreciation and amortisation expenses	**22,608**	26,928
Auditor's remuneration	**778**	785
Other operating expenses, net	**51,439**	50,751
	738,048	709,056

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**11,693**	7,022
Deferred income tax	**2,941**	4,810
	14,634	11,832

(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 interim period. 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.

8. EARNINGS PER SHARE

(i) Basic earnings per share

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 period. 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 for the six months ended 30 June 2016 due to the purchase of shares for an employee's share award scheme.

	Six months ended 30 June	
	2016	2015
Profits attributable to owners of the Company (in RMB thousand)	**40,059**	27,503
Weighted average number of ordinary shares in issue (thousands)	**2,463,603**	2,495,000
Basic earnings per share (RMB per share)	**0.02**	0.01

(ii) Diluted earnings per share

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).

	Six months ended 30 June	
	2016	2015
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	**40,059**	27,503
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	**2,463,603**	2,495,000
Adjustments for awarded shares	**31,397**	–
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

9. INVESTMENT PROPERTIES

	2016	2015
	RMB'000	*RMB'000*
At fair value		
At 1 January	**159,700**	64,000
Change in fair value	**1,800**	2,000
At 30 June	**161,500**	66,000

As at 30 June 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: Nil).

The Group's investment properties were valued as at 30 June 2016 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.

The fair value of the Group's investment properties is within level 3 in the fair value hierarchy.

10. DIVIDENDS

A dividend of RMB5,888,000 that relates to the year ended 31 December 2015 was declared in 22 March 2016 and paid in June 2016 (2015: RMB8,976,000).

On 31 August 2016, the board of directors of the Company approved an interim cash dividend of RMB0.0049 (equivalent to approximately HKD0.0057) per share for the interim period, totalling RMB12,201,000(equivalent to approximately HKD14,222,000) (six months ended 30 June 2015: RMB8,376,000 (equivalent to approximately HKD10,621,000. The interim dividend was proposed out of the share premium account and this interim financial information do not reflect this dividend payable.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**37,265**	–
Additions	**–**	225,733
Disposals	**(3,970)**	(9,009)
Net (loss)/gains transfer to equity	**(846)**	1,617
Currency translation difference	**230**	–
At 30 June	**32,679**	218,341

The Group's available-for-sale financial assets as at 30 June 2016 represented non-principal guaranteed wealth management products with variable return rate. The available-for-sale financial assets are denominated in RMB and USD.

The wealth management product is neither past due nor impaired.

12. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

		As at	
		30 June	31 December
		2016	2015
	Note	***RMB'000***	*RMB'000*
Current portion:			
Trade receivables	*(i)*	**35,825**	33,105
Lease deposits		**4,263**	4,492
Prepayments		**8,898**	8,673
Receivable from a trustee for the share purchase for the employees' share award scheme	*(ii)*	**14,105**	14,502
Interest receivables		**5,669**	15,598
Other receivables		**8,505**	6,662
Amounts due from a related party		**1,024**	19
		78,289	83,051
Non-current portion:			
Lease deposits		**30,894**	30,555
Prepayments for acquisition of a property		**11,125**	12,007
Prepayments for computer software		**233**	1,661
Prepayments for construction project		**379**	1,431
		42,631	45,654
		120,920	128,705

(i) Trade receivables

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

The ageing analysis of the trade receivables of the Group based on invoice date as follows:

	As at 30 June 2016 RMB'000	31 December 2015 RMB'000
0 – 30 days	**17,084**	23,475
31 – 90 days	**11,725**	6,073
91 – 365 days	**7,016**	3,557
	35,825	33,105

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

As at 30 June 2016 trade receivables of RMB35,825,000 (31 December 2015: RMB33,105,000) were fully recoverable.

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

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

13. TRADE AND OTHER PAYABLES

	Notes	As at 30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Trade payables	*(i)*	**193,869**	260,706
Rental payables		**183,048**	187,901
Other tax payables		**16,691**	20,155
Deferred income	*(ii)*	**22,299**	25,937
Accrued wages and salaries		**21,106**	28,835
Advances received from customers	*(iii)*	**259,289**	345,356
Deposits		**60,982**	61,700
Advances from suppliers		**5,805**	6,083
Amount due to related parties		**149**	157
Accrual for legal claims	*(iv)*	**14,525**	14,084
Other payables and accruals		**52,319**	58,020
		830,082	1,008,934

All trade and other payables are denominated in RMB and their fair values approximate their carrying amounts as at the balance sheet date.

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

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**107,034**	123,759
31 – 60 days	**1,400**	48,145
61 – 90 days	**28,695**	19,294
91 – 365 days	**26,295**	37,464
1 year – 2 years	**813**	4,240
2 years – 3 years	**3,443**	4,104
Over 3 years	**26,189**	23,700
	193,869	260,706

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

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

(iv) The amount represented provision for legal claims for certain suppliers, vendors and employees have commenced proceedings against the Group.

14. CAPITAL COMMITMENTS

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

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	**4,357**	7,893

II. MANAGEMENT DISCUSSION AND ANALYSIS

Review of the domestic retail market in the PRC

With the weak global economic environment, the government of the People's Republic of China ("**PRC**') supports the domestic retail sector by shifting the policy focus from export to local demand in order to sustain the economic growth.

Despite the depreciation of Renminbi to stimulate the economic slowdown in late 2015, the downward pressure is mostly on the consumption of PRC luxury products. During the first half of 2016, the retail consumption market in PRC shows signs of gradual recovery. According to the National Bureau of Statistics of PRC, the total retail sales of consumer goods reached RMB15,613.8 billion, representing a year-on-year increase of 10.3% in the first six months in 2016 compare to the same period in 2015. Other than the sales of luxury products, such as gold, jewellery and high-end apparel items, which suffered the most during the first six months in 2016, the total retail sales of the other product categories steadily increased.

Apart from the traditional sales channel through which the domestic customers are becoming more selective and are willing to pay more for quality products, the online sales channels have created a greater impact on the PRC retail sectors. The increase in the number of young middle class consumers and the increasing popularity of online sales channels affect the consumption pattern of the consumers in the PRC which bring business opportunities on attracting potential customers from online to the physical stores.

In 2016, the Group will be celebrating its 20th anniversary. As at 30 June 2016, the Group had a total of 19 department stores, covering a total gross floor area of 338,720.1 sq.m. To mark this milestone and to thank for all the supports from its suppliers and customers throughout the past 20 years, the Group has launched a series of featured marketing campaigns during the first half of 2016 and will continue to increase with its celebration activities for the rest of the year.

With the continuous improvement in operational efficiency and the development of the newly launched online platform business, the Group has recorded a sustainable stable growth. During the six months ended 30 June 2016, the Group recorded an increase of 5.2% in revenue amounting to RMB707.5 million from RMB672.4 million, as well as an increase of 45.8% in profit amounting to RMB40.1 million from RMB27.5 million in the same period in 2015.

Scaling up of i-Shirble and other online platforms

The Group has successfully debuted i-Shirble (shirble), its own online platform with both the desktop version and mobile APPs, offering online sales of supermarket products including fresh food and groceries. In June 2016, the Group has also entered into a strategic alliance agreement with Baidu ("百度"), an online platform with strong presence in the Guangdong province, to tap on its member base. Coupled with its cooperation with Jingdong Daojia ("京東到家"), the Directors believe that the Group's online sales channels have been enhanced to attract customers from different demographic segments and locations, and the Group is now recognised as one of the active online players in Shenzhen.

In view of the success of its online business in Shenzhen, the Group has also commenced the establishment of its online channels in Shanwei, Guangdong Province, in the first half of 2016 through the cooperation with the local retailers. Leveraging the Group's reputation in the area, the Directors believe that this market will be a potential sales driver of the Group's online business.

Investment in direct procurement source

As part of the Group's corporate strategy to enrich its product mix in the fresh food and foreign-branded products segments, the Group is adjusting its sourcing model by increasing the percentage of direct procurement. Without paying the agency fees, the direct procurement not only reduces the procurement cost, but also provides a greater variety of products of high quality. In 2015, the Group has already secured the source of certain special products, such as Chinese-medicine flavored frozen chicken, imported fruit juices, branded edible sunflower seed oil products, as well as quality organic fresh vegetables, and has conducted workshops (namely "**Shirble Kitchen**") and other marketing activities to promote the products. All of these activities are well-received by its customers.

To capture the potential from the growing demands of high quality products, in June 2016, the Group has entered into an agreement to acquire 10% of the equity interest of an online platform "釣胃口" for a consideration of RMB1 million. The major business activities of the online platform are providing a large variety of deep-sea fish and aquatic products and organising high-end fishing tours to its members. Following the investment, the Group intends to leverage on the online platform to provide its customers with high quality deep-sea fish and other aquatic products, which are not commonly available in the PRC market, both online and at the Group's physical stores.

The Directors believe that control over suppliers is essential to ensure a stable and diversified supply of products to differentiate itself from its competitors. Hence, the Group will continue to identify such vertical integration opportunities.

Development of new wholesale business

To fully utilise the direct procurement source of specialty products, the Group has set up a team dedicated for the development of its wholesale/import and export business since late 2015. This team has been actively seeking business partners targeting local retailers and distributors in Shenzhen. In March 2016, the Group has entered into sales and purchase agreements with chain stores and several online distributors for the sale of branded edible sunflower seed oil products. The Group is also in discussion with other distributors in Guangzhou for product wholesales opportunities.

Enhancement of suppliers' settlement management system

In the first half of 2016, the Group has completed the enhancement of its suppliers' settlement management system, whereby a systematic approach is implemented to classify suppliers into different categories with settlement timetables and amounts corresponding to their categories. This new settlement system not only allows the Group to maintain a healthy cashflow and enhance the operational efficiency, it can also assist the Group to strengthen its supplier base by offering of more favorable settlement terms to high-graded suppliers with gradual elimination of weak or non-performing suppliers.

Evaluation on staff performance to enhance efficiency and performance

Following the successful introduction on its key performance indicators' assessment scheme and share award scheme in the past two years, the Group has engaged an independent adviser in the first half of 2016 to review its overall human resources policy. The Directors believe that, with all the new potential business lines and a competitive market environment, an attractive incentive scheme together with an effective appraisal system are essential to retain employees and improve the Group's performance.

BUSINESS OUTLOOK

Collaboration with other online platforms

To continue the momentum of its online business, the Group targets to attract new members through its 20th anniversary marketing activities, including giving out free cash coupons for first registration/referral coupons and in-stores promotional campaigns in the second half of 2016. The Group is also exploring the potential to include more variety of products including electrical appliances and apparel items to be sold on its platform, as well as the provision of other services through strategic cooperation with other online platforms with different natures for synergistic effects.

Introduction of new formats and prudent store expansion plan

In view of the slow growth in the traditional retail sector and the rapid development of the e-commerce market, the Group adopted a prudent store expansion approach and started to adjust its business model to diversify into two business lines for its traditional physical stores. Apart from its hybrid model which includes supermarket section, electrical appliances section, department store section and ancillary facilities section operating under the “” brand, the Group has also started a new hypermarket model under the new brand “SMART”. The SMART line will be positioned as a high-end and trendy life-style store.

In April 2016, the Group has entered into an agreement for the lease of an area within a shopping mall located at Shixia, Futian district of Shenzhen with a gross floor area of approximately 3,511.5 sq.m. for the opening of one of its new SMART stores. The Group intends to open the store in the 2nd half of 2016. This new store will introduce the popular “concept life-style stores” format which combines various choices of hot delicacy and life-style pop-up stores and a cookery teaching classroom to be operated under Shirble Kitchen. The Directors anticipate that the new hypermarket model can attract younger customers with higher spending power, as well as to promote customers’ interaction and loyalty.

Looking ahead, the Group intends to implement its new hypermarket model in different districts in Shenzhen, and will continue to refine its hybrid business model by differentiating the traditional and the trendy business lines through repositioning selected existing and pipeline stores including the Yitian store and Nankang store, the opening of which are now subject to further assessment of the market sentiment and the new business models.

Category management

In the first half of 2016, the Group has conducted an overall category management review to enhance the Group's merchandise mix, including the reduction of stock-keeping units ("**SKUs**"), and the introduction of additional new product categories focusing on quality or special products. Together with the introduction of the Group's new settlement management system, the Group intends to eliminate slow moving items and identify weak suppliers, and to enhance the categories and items with more customers' demands.

Establishment of supply chain and logistic network

The Group is currently outsourcing its logistics functions for the operations of its online business. Upon the growing demand of this business segment and the introduction of other new different business segments, the Group will explore the possibility to develop a more extensive and integrated supply chain and logistic network which could cater for the need of both the physical and online store business, promoting a more efficient online-to-offline business model.

Potential investment opportunities

As mentioned above, 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

For the six months ended 30 June 2016, the Group's total gross sales proceeds (representing the aggregate of (a) the 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 long-aged unredeemed prepaid cards) were RMB1,119.6 million, representing an increase of 5.1% from RMB1,065.1 million in the corresponding period of 2015. The increase in total gross sales proceeds was principally due to an increase in the sales as a result of improvement in overall operational efficiency as well as the promotion and increase of bulk purchases.

Revenue generated from direct sales of the Group amounted to RMB572.8 million and the total sales proceeds from concessionaire sales amounted to RMB544.9 million, accounting for 51.2% and 48.7%, respectively, of the Group's total gross sales proceeds for the six months ended 30 June 2016. For the same period in 2015, revenue from direct sales amounted to RMB539.9 million, while the total sales proceeds from concessionaires sales amounted to RMB522.9 million, accounted for 50.7% and 49.1% respectively of the Group's total gross sales proceeds.

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

	For the six months ended 30 June			
	2016		2015	
	RMB million	*%*	*RMB million*	*%*
Electronics and home appliances	**98.0**	**8.8**	122.4	11.5
Clothes, apparel and bedding	**176.0**	**15.7**	245.4	23.0
Children's goods	**21.0**	**1.9**	27.9	2.6
Sporting and stationery goods	**129.3**	**11.5**	27.2	2.6
Food and beverages	**509.4**	**45.5**	468.2	44.0
Daily necessities and cosmetic goods	**184.0**	**16.4**	171.7	16.1
Income from reversal of long-aged unredeemed pre-paid cards	**1.9**	**0.2**	2.3	0.2
	1,119.6	**100.0**	1,065.1	100.0

Revenue

The Group's revenue amounted to RMB707.5 million for the six months ended 30 June 2016, representing an increase of 5.2% as compared to RMB672.4 million in the corresponding period of 2015. The increase was principally due to an increase in the direct sales and rental income offset by the decrease in commission from concessionaire sales.

Direct sales increased by 6.1% to RMB572.8 million for the six months ended 30 June 2016 from RMB539.9 million in the corresponding period of 2015, principally due to an increase in the sales from existing stores as a result of enhancement of supermarket merchandise mix. Direct sales as a percentage of the Group's total revenue was 81.0% for the six months ended 30 June 2016 as compared to 80.3% in the corresponding period of 2015.

Commission from concessionaire sales decreased slightly by 2.5% to RMB81.8 million for the six months ended 30 June 2016 from RMB83.9 million in the corresponding period of 2015, mainly due to the lower commission rate as a result of more promotional campaigns in the first half of 2016, offset by the increase in concessionaire sales. The commission rate of concessionaire sales was 15.0% as compared to 16.0% for the corresponding period in 2015. Commission from concessionaire sales as a percentage of the Group's total revenue was 11.6% for the six months ended 30 June 2016 as compared to 12.5% for the corresponding period in 2015.

Rental income increased by 10.1% to RMB51.1 million for the six month ended 30 June 2016 from RMB46.4 million for the corresponding period in 2015, mainly due to the continuous restructuring of store layout plan in different stores to increase the proportion of leased/sub-leased area for complementary facilities. Rental income as a percentage of the Group's total revenue was 7.2% for the six months ended 30 June 2016 as compared to 6.9% for the corresponding period in 2015.

Income from reversal of long-aged unredeemed pre-paid cards decreased by 17.4% to RMB1.9 million for the six months ended 30 June 2016 from RMB2.3 million in the corresponding period of 2015 due to the decrease in prepaid card issuance in past years.

Other operating revenue

Other operating revenue increased by 7.5% to RMB65.8 million for the six months ended 30 June 2016 from RMB61.2 million in the corresponding period in 2015, mainly due to the increase in promotion, administration and management income as well as the credit card handling fees for concessionaires sales.

Other gain/(loss), net

Other net gain amounted to RMB1.6 million for the six months ended 30 June 2016 as compared with other net loss amounted to RMB0.7 million in the corresponding period of 2015, mainly due to the change in fair value of investment properties of RMB1.8 million. In the first half of 2015, the change in fair value gains from the investment properties of RMB2.0 million was offset by the provision for legal claims of RMB4.1 million.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB499.0 million for the six months ended 30 June 2016, representing an increase of 7.3% as compared with RMB465.1 million in the corresponding period of 2015, which is in line with the increase in direct sales. As a percentage of revenue from direct sales, purchase of and changes in inventories was 87.1% for the six months ended 30 June 2016 as compared with 86.1% in the same period of 2015.

Employee benefits

Employee benefits increased slightly by 3.5% to RMB92.6 million for the six months ended 30 June 2016 from RMB89.5 million in the corresponding period in 2015, primarily due to the provision for the grant of share awards to eligible employees in the second half of 2015.

Depreciation and amortisation

Depreciation and amortisation decreased by 16.0% to RMB22.6 million for the six months ended 30 June 2016 from RMB26.9 million in the corresponding period in 2015. The decrease was mainly due to the recognition of certain floors at Haifeng property as investment property.

Operating lease rental expenses

Operating lease rental expenses decreased by 5.8% to RMB71.6 million for the six months ended 30 June 2016 from RMB76.0 million in the corresponding period of 2015.

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 RMB52.2 million for the six months ended 30 June 2016 from RMB51.5 million in the corresponding period in 2015. 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 to RMB36.8 million for the six months ended 30 June 2016 as compared with the operating profit of the Group of RMB23.9 million in the corresponding period in 2015.

Finance income

Finance income increased by 13.0% to RMB19.1 million for the six months ended 30 June 2016 from RMB16.9 million in the corresponding period of 2015, primarily due to the increase in capital gain from investment products, as well as interest income arising from the cash or cash equivalents.

Finance costs

Finance costs decreased by 20.0% to RMB1.2 million for the six months ended 30 June 2016 from RMB1.5 million in the corresponding period of 2015 which was primarily due to the repayment of half of the borrowings in the first half of 2016.

Income tax expense

Income tax expense amounted to RMB14.6 million for the six months ended 30 June 2016, representing an increase of 23.7% from RMB11.8 million in the corresponding period of 2015. The effective tax rate applicable to the Group for the six months ended 30 June 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 RMB40.1 million for the six months ended 30 June 2016, representing an increase of 45.8% as compared with the profit of RMB27.5 million in the corresponding period in 2015.

IV. INTERIM DIVIDEND

The Board declares an interim dividend of RMB0.0049 (equivalent to approximately HKD0.0057) per Share or in the total amount of RMB12.2 million (equivalent to approximately HKD14.2 million) (2015: RMB0.0034 (equivalent to approximately HKD0.0041) per Share or in the total amount of RMB8.4 million (equivalent to approximately HKD10.2 million)) for the six months ended 30 June 2016 which will be payable by way of cash in Hong Kong dollars. The Directors consider that this dividend level is appropriate after due consideration of the operating results of the Group for the six months ended 30 June 2016. The interim dividend will be paid on or around 4 October 2016 to Shareholders whose names appear on the Register of Members at the close of business on 20 September 2016.

V. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 September 2016 to 20 September 2016 (both days inclusive), during which period no transfer of shares of the Company will be registered for the purpose in order to determine the entitlement to receive the interim dividend. In order to qualify for the interim 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 14 September 2016.

VI. LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's cash and cash equivalents and bank deposits amounted to RMB1,342.4 million, representing a decrease of 14.0% from RMB1,560.9 million as at 31 December 2015. The cash and cash equivalents and bank deposits, which were in RMB, Hong Kong dollars and United State dollars, were deposited with banks in the PRC and Hong Kong for interest income.

As at 30 June 2016, the Group's outstanding bank borrowings amounted to RMB128.9 million (31 December 2015: RMB251.3 million). The borrowings are denominated in Hong Kong dollars with average interest rate of 1.420% per annum (31 December 2015: 1.321%). Restricted bank deposit of RMB210.0 million (31 December 2015: RMB394.8 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 5.5% as at 30 June 2016 (31 December 2015: 9.6%). After reviewing the latest cashflow position and in view of the increasing borrowing cost as a result of the Renminbi depreciation, the Group repaid half of the bank borrowings in February 2016. The remaining bank borrowings was fully settled in July 2016.

Net current assets and net assets

The net current assets of the Group as of 30 June 2016 were RMB584.2 million (31 December 2015: RMB530.5 million), representing an increase of 10.1%. The net assets of the Group as at 30 June 2016 increased to RMB1,328.9 million (31 December 2015: RMB1,292.9 million), representing an increase of 2.8%.

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 and United States dollars and all its borrowings are denominated in Hong Kong dollars. The Company paid dividends in Hong Kong dollars. These exposed the Group to foreign exchange risks arising from the exchange rate movement of Hong Kong dollars against RMB. For the six months ended 30 June 2016, the Group recorded a net foreign exchange loss of RMB4.2 million as a result of the Renminbi depreciation. 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 30 June 2016, the total number of employees of the Group was 2,265. 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 development of the Group, the Company has adopted an employee's share award scheme on 22 January 2014. As approved by the Board under the share award schemes on 13 July 2015 and 17 December 2015, an aggregate of 32,502,000 Shares to 88 eligible employees have been granted 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. As at the date of this announcement, 702,000 shares granted to 3 eligible employees have not been vested due to departure.

In the first half of 2016, the Group has appointed a consultant to review the internal control procedures on the human resources functions and staff performance appraisal procedures in order to further enhance the Group's remuneration policy. The new remuneration policy is target to be implemented in 2017.

Contingent liabilities

Certain suppliers, vendors and employees have commenced proceedings in the PRC against the Group in respect of disputes over contract terms. As at 30 June 2016, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB14,525,000 (2015: RMB14,084,000), which the Directors believe is adequate to cover the Group's liabilities, 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 period 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 six months ended 30 June 2016, the Audit Committee held one regular meeting 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 on the Group's internal control and the annual results for the year ended 31 December 2015.

VIII. REVIEW OF PRELIMINARY ANNOUNCEMENT

The Group's unaudited interim results for the six months ended 30 June 2016 have been reviewed by the audit committee and by the auditor of the Company in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

X. CORPORATE GOVERNANCE

The Company is committed to achieve and maintain high corporate governance standards. In the opinion of the Directors, throughout the six months ended 30 June 2016, 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 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 March 2016, the Group appointed a reputable accounting firm to assist the management to review the internal control on human resources procedures and suppliers' settlement procedures 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 in 2016.

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.

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 six months ended 30 June 2016.

XII. PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK CHANGE AND THE COMPANY

This announcement is published on the websites of Stock Exchange and the Company. The interim report for the six months ended 30 June 2016 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

XIII. CONCLUSION

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

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

Hong Kong, 31 August 2016

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