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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 2017

The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2017:–

– Revenue of the Group was RMB661.1 million, representing a decrease of 6.6% as compared with the revenue of RMB707.5 million for the same period in 2016;

– Total gross sales proceeds[(1)] of the Group were RMB1,025.5 million, representing a decrease of 8.4% as compared with the gross sales proceeds of RMB1,119.6 million for the same period in 2016;

– Operating profit of the Group was RMB50.4 million, representing an increase of 37.0% as compared with the operating profit of RMB36.8 million for the same period in 2016;

– Profit attributable to owners of the Company was RMB40.7 million, representing a slight increase of 1.5% as compared with the profit attributable to owners of the Company of RMB40.1 million for the same period in 2016;

– Basic earnings per Share was RMB0.02;

– Net asset value per Share was RMB0.56; and

– Interim cash dividend of HKD0.0055 (equivalent to approximately RMB0.0048) per Share or in the total amount of HKD13.7 million (equivalent to approximately RMB12.0 million) (2016: HKD0.0057 (equivalent to approximately RMB0.0049) per Share or in the total amount of HKD14.2 million (equivalent to approximately RMB12.2 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 2017

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 2017, together with the unaudited comparative figures for the corresponding period in 2016. 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 2017 *RMB'000* (unaudited)	2016 *RMB'000* (unaudited)
Revenue	*3*	**661,105**	707,514
Other operating revenue	*4*	**75,443**	65,756
Other gain, net	*5*	**31,520**	1,578
Purchase of and changes in inventories	*6*	**(452,855)**	(498,966)
Employee benefits	*6*	**(96,479)**	(92,635)
Depreciation and amortisation	*6*	**(25,218)**	(22,608)
Operating lease rental expenses	*6*	**(75,698)**	(71,622)
Other operating expenses, net	*6*	**(67,417)**	(52,217)
Operating profit		**50,401**	36,800
Finance income		**3,849**	19,065
Finance costs		**–**	(1,172)
Finance income – net		**3,849**	17,893
Share of profit of associate		**12**	–
Profit before income tax		**54,262**	54,693
Income tax expense	*7*	**(13,556)**	(14,634)
Profit for the period		**40,706**	40,059
Profit attributable to:			
Owners of the Company		**40,706**	40,059
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**	0.02

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 30 June **2017** *RMB'000* **(unaudited)**	2016 *RMB'000* (unaudited)
Profit for the period		**40,706**	40,059
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Change in fair value of investment properties upon transfer, net of tax	*9*	**13,092**	–
Item that may be reclassified to profit or loss			
Fair value change on available-for-sale financial assets, net of tax	*11*	**1,202**	(846)
Currency translation differences		**241**	(265)
Other comprehensive income for the period		**14,535**	(1,111)
Total comprehensive income for the period		**55,241**	38,948
Attributable to:			
Owners of the Company		**55,241**	38,948

INTERIM CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
ASSETS			
Non-current assets			
Investment properties	*9*	**190,500**	161,500
Property, plant and equipment		**1,039,935**	468,104
Intangible assets		**17,158**	19,045
Investment in associate		**984**	972
Deferred income tax assets		**43,855**	46,944
Other receivables and prepayment	*12*	**63,290**	45,709
		1,355,722	742,274
Current assets			
Inventories		**142,435**	168,666
Available-for-sale financial assets	*11*	**29,806**	28,936
Trade receivables, other receivables and prepayments	*12*	**109,424**	69,925
Bank deposits		**174,238**	455,907
Cash and cash equivalents		**399,939**	829,690
		855,842	1,553,124
Total assets		**2,211,564**	2,295,398
EQUITY			
Equity attributable to owners of the Company			
Share capital		**213,908**	213,908
Share premium		**854,686**	858,649
Shares held for share award scheme		**(10,411)**	(10,411)
Other reserves		**251,620**	234,123
Retained profits		**85,420**	44,714
Total equity		**1,395,223**	1,340,983

	Note	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**20,518**	12,246
Current liabilities			
Trade and other payables	*13*	**745,121**	882,684
Income tax payable		**50,702**	59,485
		795,823	942,169
Total liabilities		**816,341**	954,415
Total equity and liabilities		**2,211,564**	2,295,398

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 department stores in Mainland China (the "**PRC**").

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2017 ("**the interim period**") has been prepared in accordance with the International Accounting Standard ("**IAS**") 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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	
	2017	2016
	RMB'000	*RMB'000*
Direct sales	**522,819**	572,773
Commission from concessionaire sales	**68,443**	81,758
Rental income	**67,220**	51,062
Income from reversal of long-aged unredeemed prepaid cards	**2,623**	1,921
	661,105	707,514

4. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Promotion, administration and management income	**64,476**	58,249
Credit card handling fees for concessionaire sales	**5,425**	5,922
Others	**5,542**	1,585
	75,443	65,756

5. OTHER GAIN, NET

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Reversal of accrued rental expense	*(i)*	**33,383**	–
Reversal of/(provision for) legal claims *(Note 13)*		**123**	(441)
Change in fair value of investment properties *(Note 9)*		**100**	1,800
Compensation for the contract damages		**52**	223
Loss on disposal of property, plant and equipment		**(1,998)**	(188)
Others		**(140)**	184
		31,520	1,578

(i) During the six months ended 30 June 2017, the Group acquired properties in Shenzhen and Changsha, which were originally leased by the Group as department stores. As a result of the acquisition, accrual accumulated for lease incentives and future incremental lease rentals amounting to RMB33,383,000 was reversed and recognised in "Other gain, net".

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	
	2017	2016
	RMB'000	*RMB'000*
Purchase of and changes in inventories	**452,855**	498,966
Employee benefits	**96,479**	92,635
Operating lease rental expenses	**75,698**	71,622
Depreciation and amortisation expenses	**25,218**	22,608
Utilities	**32,751**	17,095
Auditor's remuneration	**778**	778
Other expenses	**33,888**	34,344
	717,667	738,048

7. INCOME TAX EXPENSES

	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Current income tax		
– PRC corporate income tax	**6,559**	11,693
Deferred income tax	**6,997**	2,941
	13,556	14,634

(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 are 25% for general subsidiaries. Certain of the Company's PRC subsidiaries are entitle to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income.

8. EARNINGS PER SHARE

(i) 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 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.

	Six months ended 30 June 2017	2016
Profits attributable to owners of the Company (in RMB thousand)	**40,706**	40,059
Weighted average number of ordinary shares in issue (thousands)	**2,472,784**	2,463,603
Basic earnings per share (RMB per share)	**0.02**	0.02

(ii) 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).

	Six months ended 30 June	
	2017	2016
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	**40,706**	40,059
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	**2,472,784**	2,463,603
Adjustments for awarded shares	**22,216**	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**	0.02

9. INVESTMENT PROPERTIES

	Notes	**2017** *RMB'000*	2016 *RMB'000*
As at 1 January		**161,500**	159,700
Transfer from property, plant and equipment		**11,444**	–
Increase in fair value at the date of transferring from property, plant and equipment	*(i)*	**17,456**	–
Net gains from fair value adjustment	*(ii)*	**100**	1,800
As at 30 June		**190,500**	161,500

As at 30 June 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: Nil).

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

The Group's investment properties were valued 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.

(i) As at the date of transferring from property, plant and equipment, the increase in fair value of RMB17,456,000 (2016: Nil) had been recognised in reserve.

(ii) Subsequent to the date of transferring from property, plant and equipment, gains from changes in fair value amounting to RMB100,000 in 2017 (2016: RMB1,800,000) had been recognised in other gain, net.

10. DIVIDENDS

Pursuant to the resolutions by the annual general meeting of the Company held on 26 May 2017, a final dividend of RMB0.0016 per ordinary share amounting to RMB3,963,000 out of the share premium account for the year ended 31 December 2016 was approved and paid by the Company.

On 25 August 2017, the board of directors recommended an interim dividend of HKD0.0055 (equivalent to approximately RMB0.0048) per share for the interim period, amounting to HKD13,723,000 (equivalent to approximately RMB11,969,000) (six months ended 30 June 2016: HKD14,222,000, equivalent to approximately RMB12,201,000). The interim dividend is to be proposed out of the share premium account and this interim financial information do not reflect this dividend payable.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	*RMB'000*
As at 1 January	**28,936**	37,265
Disposals	**–**	(3,970)
Fair value change recognised in other comprehensive income	**1,202**	(846)
Currency translation difference	**(332)**	230
As at 30 June	**29,806**	32,679

The Group's available-for-sale financial assets as at 30 June 2017 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 30 June 2017. The fair value is within level 2 of the fair value hierarchy.

12. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

		As at	
		30 June	31 December
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Current portion:			
Trade receivables	*(i)*	**32,494**	32,841
Other receivables		**28,253**	12,074
VAT recoverable		**27,636**	–
Receivable from a trustee for the share purchase for the employees' share award scheme	*(ii)*	**14,199**	14,755
Interest receivables		**2,639**	6,337
Prepayments		**2,637**	2,428
Lease deposits		**1,566**	1,473
Amounts due from a related party		**–**	17
		109,424	69,925
Non-current portion:			
Lease deposits		**27,638**	30,969
Prepayments for acquisition of properties		**17,836**	11,125
Prepayments for construction project		**10,857**	1,168
Prepayments for acquisition of furniture and other equipment		**6,084**	2,447
Prepayments for acquisition of intangible asset		**875**	–
		63,290	45,709
		172,714	115,634

(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 as follows:

	As at 30 June 2017	31 December 2016
	RMB'000	*RMB'000*
0 – 30 days	**24,257**	20,979
31 – 90 days	**4,689**	8,283
91 – 365 days	**3,548**	3,579
	32,494	32,841

All trade receivables are denominated in RMB and their carrying amounts approximate their fair values as at 30 June 2017.

As at 30 June 2017, trade receivables of RMB4,839,922 (2016: RMB7,469,000) 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.

(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 2017** *RMB'000*	31 December 2016 *RMB'000*
Advances received from customers	*(i)*	**235,910**	266,392
Trade payables	*(iii)*	**174,126**	222,250
Rental payables		**155,850**	182,142
Deposits		**60,562**	61,068
Other payables and accruals		**54,089**	54,132
Deferred income	*(ii)*	**22,991**	25,613
Accrued wages and salaries		**19,335**	29,877
Accrual for legal claims	*(iv)*	**10,119**	10,242
Advances from suppliers		**6,563**	6,365
Other tax payables		**5,554**	24,426
Amount due to related parties		**22**	177
		745,121	882,684

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 amount mainly represented cash received for prepaid cards sold.

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

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

	As at **30 June 2017** *RMB'000*	31 December 2016 *RMB'000*
0 – 30 days	**42,360**	100,269
31 – 60 days	**40,628**	43,062
61 – 90 days	**25,376**	19,267
91 – 365 days	**37,976**	30,329
1 year – 2 years	**1,008**	1,488
2 years – 3 years	**148**	2,272
Over 3 years	**26,630**	25,563
	174,126	222,250

(iv) The amount represented provision for legal claims for certain suppliers, vendors and employees who have commenced legal 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 2017	31 December 2016
	RMB'000	*RMB'000*
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	**9,521**	5,531

II. MANAGEMENT DISCUSSION AND ANALYSIS

THE RETAIL BUSINESS LANDSCAPE IN THE PRC AND GROUP OVERVIEW

During the first half of 2017, the growth of retail business in the PRC remained slow as compared to the growth rates in the previous years. According to the report issued by the National Bureau of Statistics of China[1], the total retail sales in the PRC in 2016 amounted to RMB33.23 trillion, representing an increase of 10.4% on a year-on-year basis. Online retail sales, however, reached RMB5.16 trillion in 2016, representing a year-on-year growth of 26.2%. The report confirms that China will further extend its leading position over other countries (including the United States) as the world's largest online retail market.[2] Supporting the growth in the online retail sales in the PRC is the rapid development and integration of stores with online sales platforms. This development represents a revolution beginning to change the landscape of the retail business in the PRC.

Since 2015, the PRC Government has begun removing certain restrictions and opening its markets to promote the growth, reform and innovation in various industries in the PRC, including the property sector and the retail business and department store sector. This has resulted in increasing competitive market environment particularly in the department store sector in the PRC with increasing number of new businesses started penetrating into the industry and low entry barriers.

In addition, the impact of the rapid development of e-commerce has fundamentally disrupted the business model of the retail and department store sector globally as well as within the PRC. With the increasing consumer preference for online shopping, there are department stores facing the operational issues on low customer traffic, low sales volume and competitive pricing and product mix offered by online sales platforms. As a result, the department store and shopping malls sector have strengthened their online sales platforms and focused on the integration between offline and online platforms leaving the new sales channels in addition to their existing network of department stores and shopping malls for a total shopping solution and new shopping experience to be offered to the customers.

1 *Source:* http://www.stats.gov.cn/english/PressRelease/201701/t20170122_1456810.html

2 *Source:* https://www.digitalcommerce360.com/2017/02/06/online-shopping-china-grows-262-2016/

Although the emergence of e-commerce in department stores and shopping malls has a revolutionary impact on the traditional operations of retail networks, those who managed to extend the reach to the online shopping platforms will benefit from this new retail business model.

In light of the foregoing, the Group has further developed its online business platform, i-Shirble, paving the way to benefit from the online retail business. The Group is also in the process of implementing a strategic business transformation plan to re-position the Group as a trendy and stylish shopping complex that provides an unique lifestyle shopping experience with high quality and trendy merchandise.

As at 30 June 2017, the Group operated a total of 19 department stores with a total gross floor area of 339,625.9 sq.m. During the six months ended 30 June 2017, the Group recorded revenue of RMB661.1 million (1H2016: RMB707.5 million). Net profit was maintained at approximately RMB40.7 million (1H2016: RMB40.1 million) mainly due to the reversal of accrued rental expense of RMB33.4 million as a result of the acquisition of the two premises where the Group's Jingtian and Changsha stores used to operate under lease arrangement. The revenue decrease was mainly due to the challenging retail business environment. However, despite the setbacks brought on by the government policies in customers' spending, there are studies to support that high-end consumption is stabilising in the PRC with a reducing price gap between the PRC and other global regions due to the increasing consumption spending by the middle class in the PRC as a result of wealth increase and the general increases in the corporate earnings. Since the second half of 2016, the Group has strived to redefine its business model and has engaged new personnel to develop and position its new lines of business. As the Group further develops its online shopping business and executes a strategy to reposition itself, we expect that the business will continue to grow in the near future.

BUSINESS STRATEGIES

During the year, the Group has been undergoing a strategic business transformation. In terms of business model, the Group is implementing strategies to re-position Shirble as a trendy and stylish brand that provides an unique lifestyle shopping experience with high quality and trendy merchandise. Riding on the increasing consumption by the middle class and the younger generation in the PRC, and the increasing demand for high quality food products, the Group has started a new brand "Shirble Plaza", where the Group's new stores will operate in such a new concept store format and positioning, Under the "Shirble Plaza" model which will be positioned as a trendy neighborhood mini-shopping mall, most of the store area will be leased/sub-leased to attract more trendy and international tenants such as Starbucks, etc. and ancillary facilities such as children learning centres, gyms, restaurants, cinemas and karaoke facilities that can generate more customer traffic and rental income than a traditional shopping mall with various concession counters. At Shirble Plaza, the Group will also operate a stand-alone supermarket section under the "SMART" brand in order to create brand recognition and loyalty for its premium supermarket line and to stay true to its slogan: "eat better, live better".

As for its traditional department stores that operate under the "Shirble Department Store" brand, in order to attract more customers of young generation and middle class to boost sales, the Group will continue to stock high quality products and services such as quality imported foods and household goods, and will revamp store layout to focus on enhancing the shopping experience at the same time utilising its online platform, i-Shirble, to broaden its coverage in the market instead of relying on merely physical store sales.

To speed up and further increase its market presence in Shenzhen, the Group will also be considering a brand diversification strategy with the smaller size supermarkets in residential and/or urban village areas using a different brand other than the "SMART" brand for supermarkets. The Group plans to ride on the increasing trend of customer behaviour to shop online and leverage the resources of the two channels of the Group.

BUSINESS REVIEW

Introduction of i-Shirble 2.0 in May 2017

In view of the Group's business strategies, "i-Shirble", the Group's online platform has been upgraded to i-Shirble 2.0 in May 2017 to specialize in family products and fresh items, introducing different user-friendly functions and features to enhance and attract more online shoppers. As at 30 June 2017, the active customer/member base has increased by approximately 58.6% to more than 92,000 from around 58,000 as at 31 December 2016, and the conversation rate of the customer/member base in first half of 2017 has reached 54.4%. To further strengthen Shirble's services and online platform branding, i-Shirble has its service pledge to deliver products within an hour after their purchase to customers located within a certain distance from the store, and the order will be free of charge in case of late delivery. Returned goods will also be unconditional .

The Group has continued its strategic partnership with online platforms in the PRC, including Jingdong Daojia (京東到家) and Baidu (百度) to promote the online-to-offline sales strategy, but has commenced to prioritise in promoting the i-Shirble online platform.

Adding new elements to existing store formats and increase marketing and promotions

Riding on the Group's ongoing success in the three business channels – namely the network of well-established department stores with the brand of "歲寶百貨", the "SMART" supermarket that focus on lifestyle products with customers' involvement, as well as the upcoming "Shirble Plaza" offering unique lifestyle shopping experience targeting the young generation and middle-class with a high consumption spending – the Group strives to add more new elements to develop the quality and variety of merchandise offered at stores in these business channels.

For the traditional department stores under the brand of "歲寶百貨", the Group had been carrying out inspections and evaluation of its existing stores for revamp of the store layout and addition of new elements to the product and service offerings. Fashion and apparel stores currently under concession arrangements have been gradually converted into ancillary facilities, such as gym and restaurants, with the aim to increase the customer traffic to the stores.

To provide "life-style" and "wholesome" shopping experience, and to promote food and related items, the Group has hired two professional chefs to provide cookery classes to shoppers in pop-up booth format within various department stores. The chefs also act as cooking consultants of the Group to promote its new cooked delicacies section.

During the first half of 2017, the Group has also started to organise several successful marketing campaigns and activities to promote sales of its products. This includes the "$10 per Item (十元均價)" sales campaign in all Shenzhen stores, which was held twice in the first half of the year and will continue on regular basis from the second half year onwards. Other campaigns for the promotion of a healthy lifestyle and food culture, such as the introduction of MSG-free rice dumpling products during Dragon Boat Festival, have received overwhelming favourable responses from customers. The Group intends to continue to launch a series of featured campaign for the rest of the year.

Direct sourcing and development of wholesale business

While customers are increasingly concerned about living healthier and being environmental friendly by choosing healthier foods and groceries, the Group expanded its product offerings to provide not only safe and high quality food, but also healthy and trendy items. In the past few years, the Group has timely responded to the customers' demands for healthy and environmental products by introducing edible sunflower seed oil and fruit juices from Ukrainian and Bulgarian, frozen chicken seasoned with Chinese medicine, deep sea fresh fishes, fresh hydroponic vegetables with pollution free certification supplied by Guangdong local farms and environmental toxic-free detergents from Singapore.

To add onto the Group's portfolio, during the first half of the year, the Group has introduced high quality meat at its stores that are able to meet the even higher imported food quality grading of Hong Kong at competitive prices, and has set up a joint venture to produce and sell high quality hand-made bakery products through its new cafe brand "金麥茶語" and pop-up bakery stores in certain Shenzhen Shirble stores. A central kitchen has been set up for the production of bakery products to ensure consistent quality and to develop for wholesale opportunities.

To boost customers' confidence in the Group offerings, Shirble's high quality food is derived from safe food sources through direct sourcing. Following its successful strategic vertical integration into the procurement business and fully utilisation of the direct procurement source of specialty products, the Group has a team dedicated to the development of its wholesale/import and export business since late 2015. This team has been actively seeking business partners targeting suppliers as well as local retailers and distributors in Shenzhen and Guangzhou, and has gradually establishing a wholesale platform for the Group's products.

The large variety of its high quality product mix also serves as a good foundation for the Group's e-commerce development to promote its strength in providing safe, wholesome and high quality fresh food and home items.

Enhancement of logistics arrangement for both online and offline business

In the first half of 2017, the Group has outsourced its distribution centre to an external party which is expected to reduce overall logistics costs as well as enhance the efficiency to meet the needs of the stores of the Group, and to improve the service quality for its e-commerce business in order to remain competitive.

Acquisitions of premises for store development

In March 2017, the Group has acquired two properties where its Jingtian and Changsha stores are currently operating at to ensure continuous prime location operations. Although the purchase has short-term and one-off financial impact on the financial performance of the Group, the Directors believe that the purchase would reduce the Group's rental expenses in the long run and will therefore improve the financial performance of the Group. The Group may also enjoy opportunity from appreciation of market value of the properties. Depends on the Group's capital resources, the Group may consider transaction of similar nature in the future and to further improve its assets portfolio.

Recruitment of new personnel

To cater for the transformation of the Group's business, the Group has recruited several experienced personnel in the industry to join the Group as senior management to assist the Group's development of e-commerce business, "SMART" business and "Shirble Plaza" business. The Group will continue to invest in human resources in order to accelerate in developing its new business model.

FUTURE PLANS

Further strengthen i-Shirble

With the advantage of being one of the first movers to implement the online-to-offline sales strategy, the Group has managed to record a promising growth of approximately 58.6% for its active customer/member base, with more than 92,000 active members as at 30 June 2017 as compared to 58,000 as at 31 December 2016.

In the future, as i-Shirble begins building its own sizeable membership base in Shenzhen, and gradually extending to Shanwei and other regions in Guangdong province and expanding its market to different age groups, the Group will gradually diminish its reliance on Jingdong Daojia and Baidu to focus its resources on promoting its own online platform, i-Shirble.

Opening of the Group's "Shirble Plaza" and "SMART" supermarket

In line with the Group's business strategy, and taking advantage of the rocketing consumption pattern of the middle class and the young generation in China, the Yitian (益田) store in Futian District, Shenzhen, with gross floor area of approximately 17,500 sq.m., embracing the "Shirble Plaza" concept is scheduled to open in second half of 2017. Yitian Store is situated right above the Yitian station of Shenzhen metro railway system, and is in vicinity to major residential areas. It will be positioned as a trendy convenient one-stop lifestyle shopping mall to provide neighborhood shoppers with a variety of high quality, unique, trendy and wholesome merchandise and services. The Group's second "SMART" supermarket will be opened at Yitian Store with one of the newly-hired professional chefs stationing at the popup-stores there to serve self-sourced and self-cooked food and to provide interactive cooking experience for customers.

Depending on the performance and market response to the new Shirble Plaza brand, the Group may also open another store in Nankang, Shenzhen with gross floor area of 18,000 sq.m. under the new Shirble Plaza brand in 2018.

Changing the operation of its fresh food and electrical appliances sections and introducing new sections

In the past years, the Group has been operating its fresh food section through concession counters, which has limited the expansion of this section in terms of pricing and food varieties. With the experience and effort of the Group's import and export/wholesale team, the Group has managed to introduce certain freshly caught deep sea fishes, poultry, pork and vegetable at competitive prices. These items are well received by customers. To further align with the Group's overall strategies to provide safe and high quality food, the Group plans to fully convert its operating format from concession sales to direct sales for its fresh food section, and targets to provide customers with a greater variety of fresh food items at the same time drives up sales and traffic.

The Group operates its electrical appliances section through direct sales. In order to reduce costs and floor space for inventories and costs on after-sales services, the Group aims to gradually convert all self-operated section for the sales of electrical appliances into jointly-managed retail network with business partners.

In addition, the Group will continue to review its product offerings and introduce new sections such as homecare and mother and infant sections, as well as cooked deli corners that cater to the needs of young couples and families.

Establishment of supermarket chain in residential and urban village areas (城中村)

The Group continues to explore opportunities in urban village areas (城中村) through strategic alliances with local partners such as Meiyiduo (美宜多) and/or opening its own compact stores in those areas as well as residential areas in order to tap niche markets in those regions. These compact stores are planned to focus on offering mainly fresh food items or convenience items.

Potential mergers and investment opportunities

The Directors will continue to explore and evaluate new business cooperation and investment opportunities in the retail and department store sector that could create synergies with the existing core business of the Group.

CONCLUSION

On behalf of the board of directors of the Company, I would like to take this opportunity to express my sincere gratitude to the management team and all colleagues for their commitment and diligence. Appreciation must also be extend to the Group's partners and customers for their continuous support. I wish to further thank all of the shareholders and investors of the Company for their confidence in the Group, and is confident that the business of the Group will continue to grow steadily.

III. FINANCIAL REVIEW

Total gross sales proceeds

For the six months ended 30 June 2017, 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 RMB1,025.5 million, representing a decrease of 8.4% from RMB1,119.6 million in the corresponding period of 2016. The decrease in total gross sales proceeds was principally due to the challenging retail business environment.

Revenue generated from direct sales of the Group amounted to RMB522.8 million and the total sales proceeds from concessionaire sales amounted to RMB500.1 million, accounting for 51.0% and 48.7%, respectively, of the Group's total gross sales proceeds for the six months ended 30 June 2017. For the same period in 2016, revenue from direct sales amounted to RMB572.8 million, while the total sales proceeds from concessionaires sales amounted to RMB544.9 million, accounted for 51.2% and 48.7% 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			
	2017		2016	
	RMB million	*%*	*RMB million*	*%*
Electronics and home appliances	**71.9**	**7.0**	98.0	8.8
Clothes, apparel and bedding	**143.6**	**14.0**	176.0	15.7
Children's goods	**15.5**	**1.5**	21.0	1.9
Sporting and stationery goods	**112.0**	**10.9**	129.3	11.5
Food and beverages	**499.7**	**48.7**	509.4	45.5
Daily necessities and cosmetic goods	**180.2**	**17.6**	184.0	16.4
Income from reversal of long-aged unredeemed pre-paid cards	**2.6**	**0.3**	1.9	0.2
	1,025.5	**100.0**	1,119.6	100.0

Revenue

The Group's revenue amounted to RMB661.1 million for the six months ended 30 June 2017, representing a decrease of 6.6% as compared to RMB707.5 million in the corresponding period of 2016. Resulting from the challenging retail business environment, the decrease was principally attributable from the decrease in direct sales and commission from concessionaire sales, offset by the increase in rental income.

Direct sales decreased by 8.7% to RMB522.8 million for the six months ended 30 June 2017 from RMB572.8 million in the corresponding period of 2016, principally due to the decrease in sales from existing stores in Shenzhen. Direct sales as a percentage of the Group's total revenue was 79.1% for the six months ended 30 June 2017 as compared to 81.0% in the corresponding period of 2016.

Commission from concessionaire sales decreased by 16.4% to RMB68.4 million for the six months ended 30 June 2017 from RMB81.8 million in the corresponding period of 2016, mainly due to the gradual shift of concessionaire sales to rental income in the first half of 2017. The commission rate of concessionaire sales was 13.7% as compared to 15.0% for the corresponding period in 2016 as a result of more promotional activities held in the competitive market. Commission from concessionaire sales as a percentage of the Group's total revenue was 10.3% for the six months ended 30 June 2017 as compared to 11.6% for the corresponding period of 2016.

Rental income increased substantially by 31.5% to RMB67.2 million for the six month ended 30 June 2017 from RMB51.1 million for the corresponding period in 2016, mainly due to the continuous restructuring of store layout plan in different stores to decrease concession counters and increase the proportion of leased/sub-leased area for complementary facilities. Rental income as a percentage of the Group's total revenue was 10.2% for the six months ended 30 June 2017 as compared to 7.2% for the corresponding period of 2016.

Income from reversal of long-aged unredeemed pre-paid cards increased by 36.8% to RMB2.6 million for the six months ended 30 June 2017 from RMB1.9 million in the corresponding period of 2016.

Other operating revenue

Other operating revenue increased by 14.6% to RMB75.4 million for the six months ended 30 June 2017 from RMB65.8 million in the corresponding period in 2016, mainly due to the new accounting treatment in respect of utility cost incurred by lessees subsequent to the change of PRC law which was originally recorded as a net amount in other expenses.

Other gain, net

Other net gain amounted to RMB31.5 million for the six months ended 30 June 2017 as compared with RMB1.6 million in the corresponding period of 2016, mainly due to the reversal of accrued rental expense of RMB33.4 million as a result of the acquisition of two properties where the Group's Jingtian and Changsha stores used to operate under lease arrangement.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB452.9 million for the six months ended 30 June 2017, representing a decrease of 9.2% as compared with RMB499.0 million in the corresponding period of 2016, which is in line with the decrease in direct sales. As a percentage of revenue from direct sales, purchase of and changes in inventories was 86.6% for the six months ended 30 June 2017 as compared with 87.1% in the same period of 2016.

Employee benefits

Employee benefits increased by 4.2% to RMB96.5 million for the six months ended 30 June 2017 from RMB92.6 million in the corresponding period of 2016, primarily due to the recruitment of new personnel for the development of the Group's new businesses.

Depreciation and amortisation

Depreciation and amortisation increased by 11.5% to RMB25.2 million for the six months ended 30 June 2017 from RMB22.6 million in the corresponding period in 2016. The increase was mainly due to the acquisition of two properties in March 2017.

Operating lease rental expenses

Operating lease rental expenses increased by 5.7% to RMB75.7 million for the six months ended 30 June 2017 from RMB71.6 million in the corresponding period of 2016. The increase was mainly due to the rental expenses for the Group's new stores (Shixia Store and Yitian Store), offset by the decrease in rental expenses for Jingtian and Changsha Store, the operating premises of which were acquired by the Group in March 2017.

Other operating expenses, net

Other operating expenses, which were principally comprised of utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges, exchange differences and maintenance expenses, increased by 29.1% to RMB67.4 million for the six months ended 30 June 2017 from RMB52.2 million in the corresponding period of 2016. This was primarily due to the new accounting treatment in respect of utility cost incurred by lessees subsequent to the change of PRC law which was originally recorded a net amount in other expenses.

Operating profit

As a result of the reasons mentioned above, the Group's operating profit amounted to RMB50.4 million for the six months ended 30 June 2017 as compared with the operating profit of the Group of RMB36.8 million for the six months ended 30 June 2016.

Finance income

Finance income decreased by 80.1% to RMB3.8 million for the six months ended 30 June 2017 from RMB19.1 million in the corresponding period of 2016, primarily due to the decrease in cash balance and corresponding interest income upon the acquisition of two properties in March 2017.

Finance costs

No finance costs was incurred for the six months ended 30 June 2017 from RMB1.2 million in the corresponding period of 2016 as a result of the full repayment of outstanding bank borrowings in the second half of 2016.

Income tax expense

Income tax expense amounted to RMB13.6 million for the six months ended 30 June 2017, representing decrease of 6.8% from RMB14.6 million in the corresponding period of 2016. The effective tax rate applicable to the Group for the six months ended 30 June 2017 were 25% for general subsidiaries. Certain of the Company's PRC subsidiaries are entitled to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income. 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 RMB40.7 million for the six months ended 30 June 2017, representing a slight increase of 1.5% as compared with the profit of RMB40.1 million in the corresponding period of 2016.

IV. INTERIM DIVIDEND

The Board declares an interim dividend of HKD0.0055 (equivalent to approximately RMB0.0048) per Share or in the total amount of HKD13,723,000 (equivalent to approximately RMB11,969,000) (2016: HKD0.0057 (equivalent to approximately RMB0.0049) per Share or in the total amount of HKD14,222,000 (equivalent to approximately RMB12,201,000)) for the six months ended 30 June 2017 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 2017. The interim dividend will be paid on or around 3 October 2017 to Shareholders whose names appear on the Register of Members at the close of business on 19 September 2017.

V. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 September 2017 to 19 September 2017 (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 13 September 2017.

VI. LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's cash and cash equivalents and bank deposits amounted to RMB574.2 million, representing a decrease of 55.3% from RMB1,285.6 million as at 31 December 2016 as a result of the acquisitions, of two properties in March 2017 which were settled in cash. 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.

Net current assets and net assets

The net current assets of the Group as of 30 June 2017 were RMB60.0 million (31 December 2016: RMB611.0 million), representing a decrease of 90.2%. The net assets of the Group as at 30 June 2017 increased to RMB1,395.2 million (31 December 2016: RMB1,341.0 million), representing an increase of 4.0%.

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. 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 2017, the Group recorded a net foreign exchange loss of RMB4.3 million as a result of the Renminbi appreciation. 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 2017, the total number of employees of the Group was 2,349. 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.

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 2017, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB10,119,000 (31 December 2016: RMB10,242,000), 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 2017, the Audit Committee held one regular meeting with the management and external auditors 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 2016.

VIII. REVIEW OF PRELIMINARY ANNOUNCEMENT

The Group's unaudited interim results for the six months ended 30 June 2017 have been reviewed by the audit committee and by PwC, the independent auditors 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 2017.

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 2017, 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.

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 2017.

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 2017 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, 25 August 2017

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.