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: 312

2010

ANNUAL REPORT

Contents

Corporate Profile

Shirble Department Store Holdings (China) Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability on 5 November 2008. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the operation of department stores in the People's Republic of China (the "**PRC**"). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 November 2010 (the "**Listing Date**").

The Group is a one of the leading and long established Shenzhen-based department store chains. It currently owns and operates 13 department stores, of which 11 are within Shenzhen and two are located in Changsha (the capital city of Hunan Province) and Shanwei (a coastal city in the eastern Guangdong Province), respectively. Most of the Group's stores are having similar exterior and interior designs including layouts, colour schemes and decors, thereby enhancing customers' awareness of the brand "歲寶百貨".

A broad range of merchandise is offered in the stores, including footwear, textiles, apparel, cosmetics, children's and households' goods, electrical appliances, daily consumer products and household necessities, which enables the Group to capture a wide and diverse range of customers. It also caters for the upper-end segment of the retail market in respect of certain categories of products, through offering well-known international and domestic branded products in its stores, to satisfy the demand of customers with relatively higher consumption power.

The Group's department stores principally target the mid-market segment, aiming to offer its customers with a wide range of quality merchandise and customer-oriented services, as well as a convenient and comfortable "one-stop" shopping environment. It is believed that this market position enables the Group to capture high growth potential in the PRC retail sector.

Financial Highlights

A summary of the results and assets, liabilities and equity of the Group for the last four financial years is set out below:

Operating Results

	Year ended 31 December			
RMB'000	**2010**	2009	2008	2007
Turnover	**1,279,619**	1,148,030	1,079,940	1,004,464
Profit from operations	**260,966**	138,341	104,416	100,421
Profit before tax	**267,466**	174,832	108,721	107,184
Profit attributable to equity shareholders of the Company	**200,082**	140,304	89,516	100,747
Earnings per share (RMB per share) – Basic and diluted	**0.10**	0.07	0.05	0.05

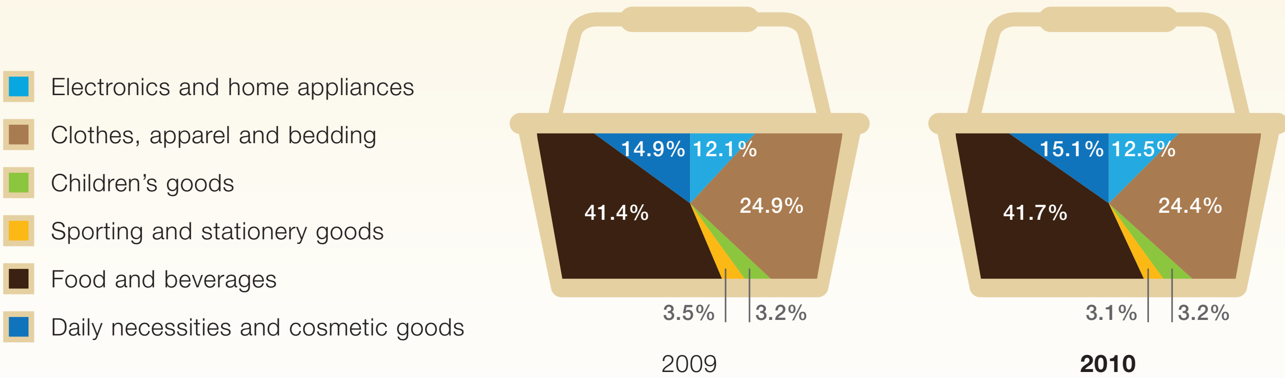
Assets, Liabilities and Equity

	At 31 December			
RMB'000	**2010**	2009	2008	2007
Total assets	**2,457,413**	1,269,343	1,244,494	1,078,023
Total liabilities	**926,369**	1,007,122	831,950	754,995
Total equity	**1,531,044**	262,221	412,544	323,028

Note: The results and financial position of the Group for 2006 is not disclosed above as such information has not been previously disclosed in the Company's prospectus dated 5 November 2010.

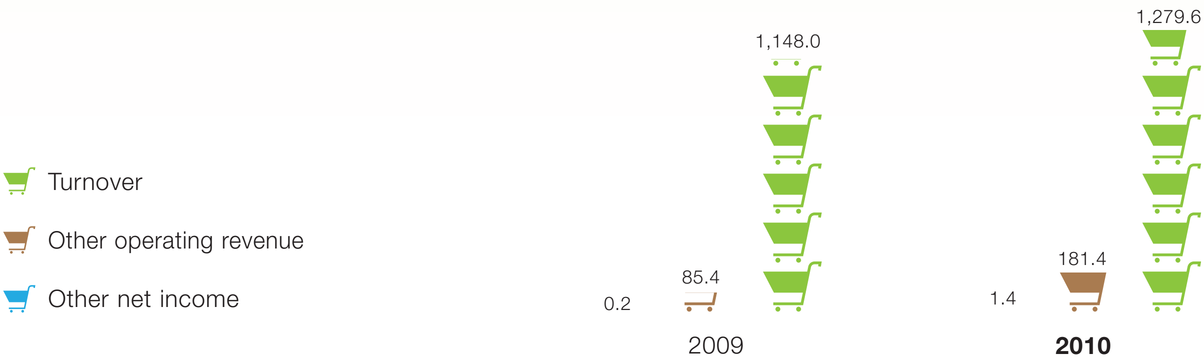
Financial Highlights

GROSS SALES PROCEEDS - BY PRODUCT CATEGORY



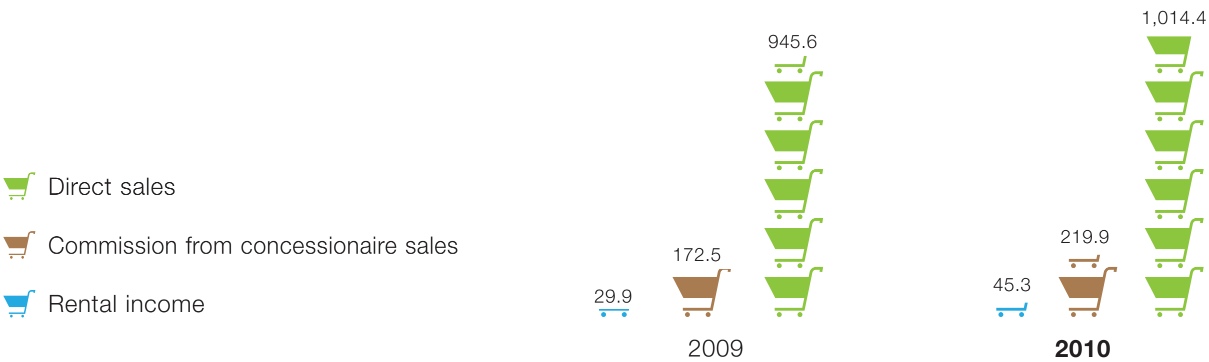
TURNOVER AND OTHER REVENUE

RMB (million)



TURNOVER BY CATEGORY

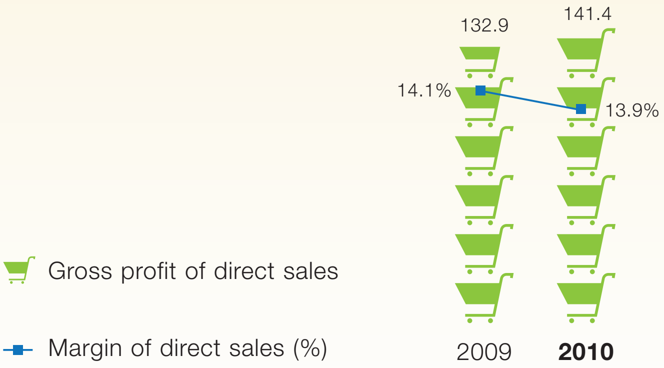
RMB (million)



Financial Highlights

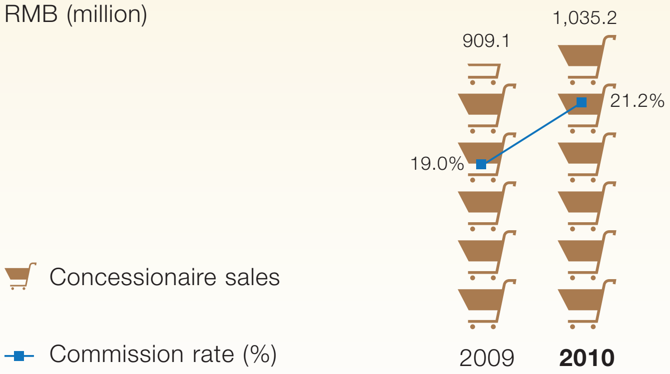
GROSS PROFIT AND MARGIN OF DIRECT SALES

RMB (million)



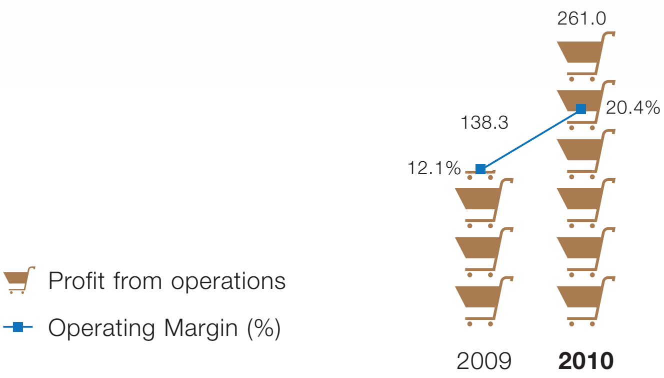
CONCESSIONAIRE SALES AND COMMISSIONS AS A PERCENTAGE OF CONCESSIONAIRE SALES

RMB (million)



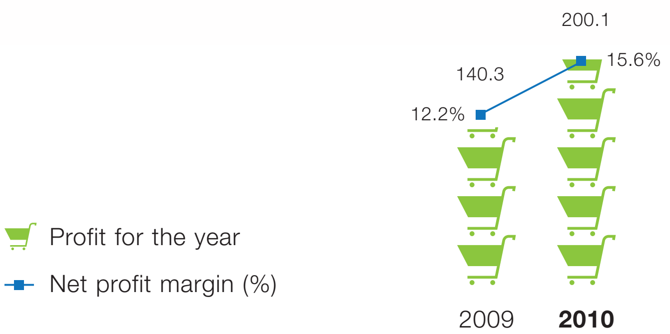
PROFIT FROM OPERATIONS AND OPERATING MARGIN

RMB (million)



NET PROFIT AND NET PROFIT MARGIN

RMB (million)



Chairman's Statement

Profit attributable to equity shareholders of the Company grew by 42.6% to RMB200.1 million.

MARKET AND BUSINESS REVIEW

I am very pleased to present the annual results of the Group for the year ended 31 December 2010.

In 2010, the PRC economy has continued to grow after the global recession which commenced in the second half of 2008 and recorded gross domestic product ("**GDP**") of approximately RMB39,798.3 billion, representing approximately 10.3% increase from the previous year. The per capita disposable income of urban residents amounted to RMB19,109 which was approximately 11.3% higher than that of previous year. Total retail sales of consumer goods for the year were approximately RMB13,691.8 billion which represents approximately 18.5% growth compared to previous year, outpacing that of the retail sector. After excluding the effect of inflation, the real PRC domestic consumptions expanded at an annual rate of approximately 14.8% since the economic rebound in 2009. The growth resulted from the proactive fiscal policies and expansionary monetary measures which improved the employment situation and boosted the consumers' spending as well as the domestic demand in the PRC. The retail industry and the Group have therefore benefited from the robust development in the PRC economy and the increasing consumption power of consumers.

In line with the economic recovery and stronger domestic consumption as well as the Group's continuous business expansion, the Group's total gross sales proceeds have recorded a stable growth of approximately 10.5%, reaching approximately RMB2,049.6 million, with same store sales ("**SSS**") growth of approximately 7.6%. Turnover increased by approximately 11.5% to approximately RMB1,279.6 million and profit attributable to equity shareholders of the Company grew by approximately 42.6% to approximately RMB200.1 million.

BUSINESS REVIEW

Store Expansion

In 2010, the Group further strengthened its presence in Shenzhen with the opening of two new department stores with an aggregate gross floor area ("**GFA**") of approximately 49,950 sq. m. in Bao'an district, i.e. the Shajing store in August 2010 and the Minzhi store in December 2010 respectively. The two new stores not only share the same features of existing stores with a wide array of supermarket goods, daily necessities, cosmetics, clothes and apparels, bedding products, sportswear, stationeries and electrical and home appliances, but have added new leisure facilities such as 3D movie theatres and more food and beverage vendors. The Minzhi store, in particular, differentiates itself with its Taiwan-themed food court, a four-metre long Vermaport trademark shopping cart conveyor imported from Germany and the Group's first 24-hour convenience store to provide patrons with a fresh shopping experience.

Together with the Shajing and Minzhi store, the Group had a total of 13 department stores as at 31 December 2010, including 11 stores within Shenzhen, one in Shanwei and one in Changsha. The total GFA of the 13 stores is approximately 208,684 sq. m., representing a year-on-year increase of approximately 31.5%.

Enhancement of VIP program

During the year 2010, the Group continued to enhance its VIP customer program through services, promotion and marketing activities to boost customers' loyalty and attract new members. As at 31 December 2010, the Group had approximately 500,000 VIP customers, and sales from these VIP customers accounted for approximately 66.5% of the Group's total gross sales proceeds.

Pilot 24-hour Convenience Store

The Group is currently exploring the convenience store model, and in November 2010, the first 24-hour convenience store was set up right next to the Minzhi store as a trial operation. The board (the "**Board**") of directors (the "**Directors**") believe that the strong duplication ability of this model may diversify the existing retail format and help the Group's brand to penetrate further in Shenzhen.

New Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 17 November 2010. The Group will utilize the proceeds from the listing in the way as disclosed in the prospectus of the Company dated 5 November 2010 (the "**Prospectus**") to strengthen its prominent position in the PRC retail industry.

FUTURE PLANS AND OUTLOOK

Looking forward, the Directors believe that the department store retailers business will benefit from the rapid economic growth in the PRC and the rise in domestic demand. The Group will strive to further strengthen its market leading position in Shenzhen, as well as to anchor in nearby regions.

New Stores Opening Plan

The Group targets to solidify its leadership position by establishing eight to nine new stores, increasing the aggregate GFA to approximately 400,000 sq. m. by 2012. With development rooted in Shenzhen, the Group intends to explore more locations in Shenzhen, while expanding to neighboring regions such as Guangzhou, Dongguan, Shanwei and other second to third-tier regions, and beyond to Changsha with the aim to extend its geographical reach throughout PRC.

Two popular shopping spots with an aggregate GFA under the Group's operation and management of approximately 72,800 sq. m. in Humen Town, Dongguan, Guangdong Province have been chosen, and related lease agreements have been entered into with independent third parties in November 2010. The stores are expected to commence business in 2011.

The Group is also considering to acquire a property in Shenzhen for opening a new store by 2013.

Based on the successful operations experience, the Group will continue to follow its hybrid "one-stop shop" model offering customers a comprehensive range of merchandise and services, as well as a convenient and comfortable "one-stop" shopping environment. On top of the development of its core hybrid model, the Group will also be exploring the possibility to diversify into different retail formats to capitalise the business potentials in a more efficient and effective manner. The Group has already opened one 24-hour convenience store at its Minzhi store, and one of the Humen stores to be opened in 2011 will be in the format of shopping mall.

Brand Enhancement and Renovation Plan

In order to enhance customers' brand awareness and shopping experiences, the Group will focus on promoting the brand through renovation of existing stores. Starting from 2011, the first stage renovation plan will focus mainly on the uplifting of outer wall and ancillary facilities of existing stores. Upon successful completion of the first stage, the Group will commence on rebranding assessment and implementation formulation.

Upgrade and Enhancement of Information Technology System

To cope with the Group's business expansion, a new enterprise resource planning (ERP) system, a customer relationship management (CRM) system, a point-of-sale (POS) system and a supply chain management system will be implemented. Through these system upgrades, accuracy of the execution of future plans will be enhanced via multi-faceted analysis, while the automation of information technology systems will increase security and improve operational efficiency, including improvement in inventory management and inventory turnover. The enhancement of systems also opens up the possibility for a compatible online shopping element to increase customer flow.

The Group has already commenced the upgrading process, and the first stage is expected to be completed in 2011. Upon completion of the upgrading and enhancement of information technology systems, it is believed that the Group's overall operational efficiency and management control will be improved, which will further strengthen the Group's competitive advantages.

Establishment of a large-scale, modernized Shenzhen Distribution Centre and Staff Training Base

In order to enhance the Group's distribution capability and services, the Group plans to construct a new Shenzhen distribution centre with GFA of approximately 53,500 sq. m. and a staff training centre with GFA of approximately 1,500 sq. m., with operation expected to commence by end of 2012. The new distribution centre will be equipped with more advanced facilities, which will shorten the delivery time and enhance inventory control and management, thereby improving operational efficiency and lowering cost. The new staff training base will facilitate comprehensive training to staff, boost working efficiency and improve quality of services.

Development of Private Label Products

In view of the high proportion of turnover derived from direct sales, the Group will focus on developing private label brands to increase profitability. Having introduced its first private label brand in 2010, the Group will extend the categories of private label products, diversify product range and launch marketing campaigns to increase its market share and optimize product portfolio.

Potential M&A opportunities

On top of the above, the Group will continue to look for potential acquisition opportunities to further advance its footprint in the PRC, as well as to search for appropriate investment opportunities that will provide synergy to the existing business.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all management and employees, business partners and customers of the Group for their continuous support to the Group. In addition, I would like to thank all of the Company's shareholders and investors for their ongoing support. We are all very excited about the Group's growth, and we are confident that the Group will make further progress and deliver good value to shareholders as a result of continuing economic growth in the PRC.

YANG Xiangbo
Chairman

24 March 2011

Management Discussion and Analysis

Gross Sales Proceeds rose by 10.5% to RMB2,049.6 million

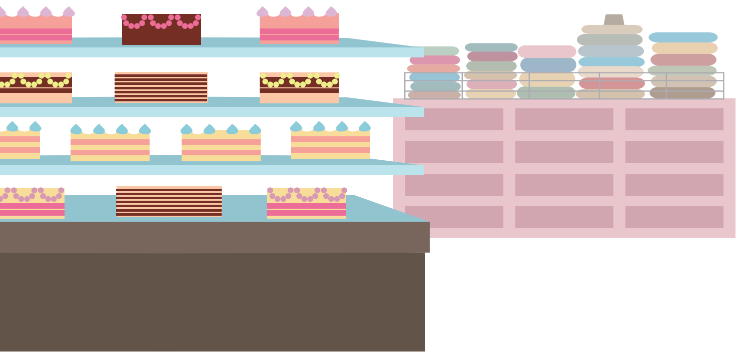
OPERATING PERFORMANCE

Total gross sales proceeds

The Group's total gross sales proceeds (representing the sum of revenue from direct sales and total sales proceeds from concessionaire sales at our department stores) grew to approximately RMB2,049.6 million, representing an increase of approximately 10.5% from approximately RMB1,854.7 million in 2009. The increase was mainly attributable to the SSS growth of approximately 7.6%, inclusion of full year sales of the Longzhu store opened in 2009 as well as the sales derived from the newly opened Shajing and Minzhi stores.

SSS growth increased to approximately 7.6% for the 2010 as compared to negative growth of approximately 2.1% recorded in 2009. The significant improvement was mainly attributable to the recovery in sales performance of the Jingtian, Mingxing and Hongbao stores after completion of road construction activities nearby the stores and stronger sales in the Jufu and Longgang stores due to increase in customer flow from residential apartments near these two stores.

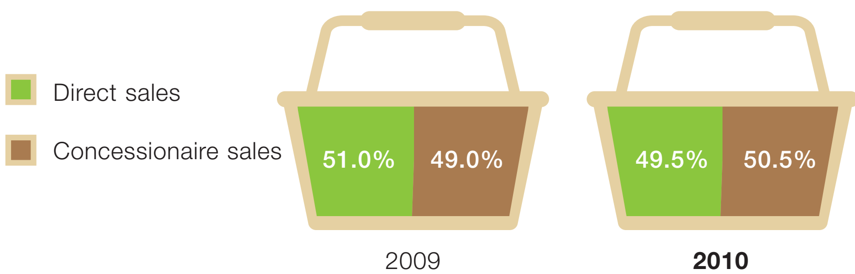
Revenue from direct sales amounted to approximately RMB1,014.4 million, while total sales proceeds from concessionaire sales amounted to approximately RMB1,035.2 million, accounting for approximately 49.5% and 50.5%, respectively of the Group's total gross sales proceeds.



The following table sets out the Group's total gross sales proceeds derived from the broad categories by which the Group manages its merchandise:

	Year ended 31 December			
	2010		2009	
	RMB' million	**%**	RMB' million	%
Electronics and home appliances	**255.4**	**12.5**	223.8	12.1
Clothes, apparel and bedding	**500.7**	**24.4**	462.4	24.9
Children's goods	**65.3**	**3.2**	59.5	3.2
Sporting and stationery goods	**63.9**	**3.1**	64.2	3.5
Food and beverages	**854.5**	**41.7**	767.9	41.4
Daily necessities and cosmetic goods	**309.8**	**15.1**	276.9	14.9
	2,049.6	**100.0**	1,854.7	100.0

GROSS SALES PROCEEDS

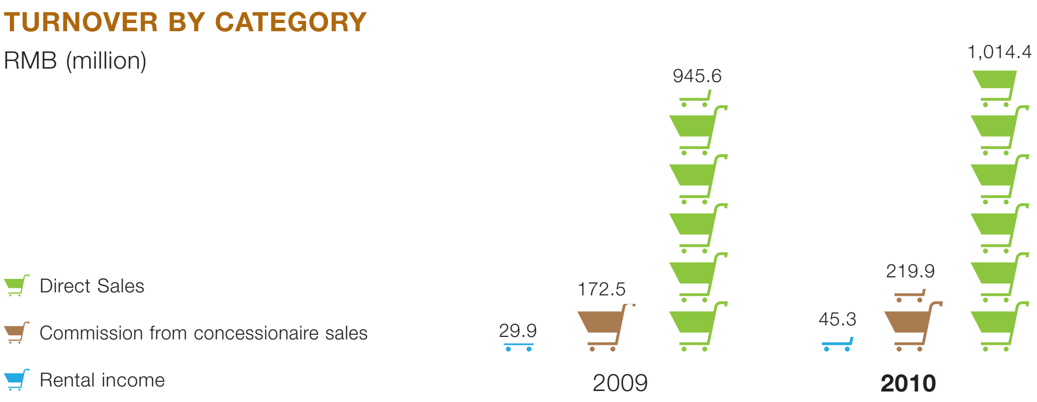


Turnover

The Group's turnover amounted to approximately RMB1,279.6 million, representing an increase of approximately 11.5% as compared to approximately RMB1,148.0 million in 2009. The increase was primarily due to the growth in turnover generated from both direct sales and concessionaire sales.

Direct sales increased by approximately 7.3% to approximately RMB1,014.4 million in 2010 from approximately RMB945.7 million in 2009, mainly due to the opening of two new stores in 2010, improvement in sales for the Jufu and Longgang stores as a result of increase in customer flow from the surrounding residential apartments and inclusion of full year sales of the Longzhu store. Direct sales as a percentage of the Group's total turnover was approximately 79.3% in 2010 as compared to approximately 82.4% in 2009.

Commission from concessionaire sales increased by approximately 27.5% to approximately RMB219.9 million in 2010 from approximately RMB172.5 million in 2009, mainly due to increase in gross sales proceeds of concessionaire sales from effective promotional strategies, increase in selling price of concessionaire



products, as well as improvement in commission rate during the year. The commission rate of concessionaire sales was approximately 21.2% as compared to approximately 19.0% in 2009. Commission from concessionaire sales as a percentage of the Group's total turnover was approximately 17.2% in 2010 as compared to approximately 15.0% in 2009.

Rental income increased by approximately 51.7% to approximately RMB45.3 million in 2010 from approximately RMB29.9 million in 2009, mainly due to the increase in sub-lease rental income contributed mainly by the Longzhu store and the increase in leased areas during the year. Rental income as a percentage of the Group's total turnover was approximately 3.5% as compared to approximately 2.6% in 2009.

Other operating revenue

Other operating revenue increased substantially by approximately 112.3% to approximately RMB181.4 million in 2010 from approximately RMB85.4 million in 2009, mainly because of additional advertisement and promotion income earned as a result of an increase in promotional campaigns and activities as well as the change in charging format of credit card handling fee during the year.

Other net income

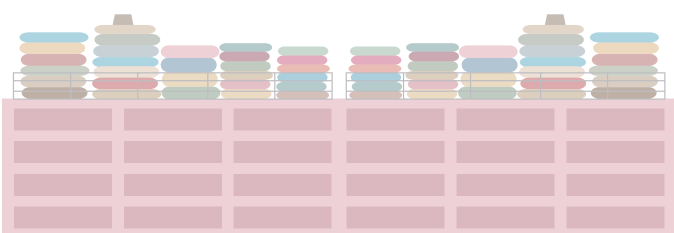
Other net income increased by approximately 641.7% to approximately RMB1.4 million in 2010 from approximately RMB0.2 million in 2009, mainly attributable to the increase in compensation received from suppliers for violation of contract terms.

Purchases of and changes in inventories

Purchase of and changes in inventories amounted to approximately RMB873.0 million in 2010, representing an increase of approximately 7.4% as compared to approximately RMB812.7 million in 2009, in line with the increase in turnover from direct sales. As a percentage of turnover from direct sales, purchases of and changes in inventories was approximately 86.1% in 2010 as compared to approximately 85.9% in 2009.

Personnel costs

Personnel costs increased by approximately 12.4% to approximately RMB98.5 million in 2010 from approximately RMB87.6 million in 2009, primarily due to the recruitment of new employees for the Group's newly opened Shajing and Minzhi stores.



Depreciation

Depreciation decreased by approximately 10.3% to approximately RMB31.2 million in 2010 from approximately RMB34.8 million in 2009, primarily attributable to the decrease in depreciation for the Group's existing plant, property and equipment which had been recognised in previous years, as well as the disposal of the Group's old distribution centre in August 2009.

Operating lease rental expense

Operating lease rental expense increased by approximately 20.3% to approximately RMB108.5 million in the year ended 31 December 2010 from approximately RMB90.2 million in the year ended 31 December 2009. This increase was mainly attributable to the additional operating leases the Group entered into for the Shajing store and Minzhi store, as well as increase in rental expenses for the Jingtian store.

Other expenses

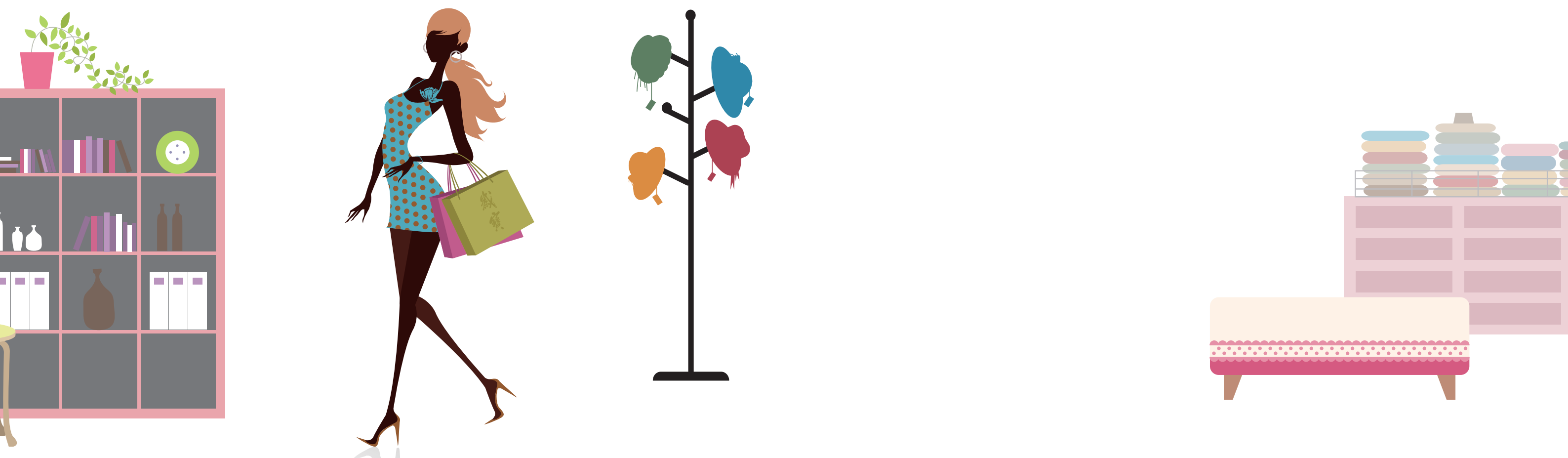
Other expenses, which mainly comprised utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges and maintenance expenses, increased by approximately 28.9% to approximately RMB90.3 million in the year ended 31 December 2010 from approximately RMB70.0 million in the year ended 31 December 2009. This was primarily due to the increase in number of stores in 2010.

Profit from operations

As a result of the reasons mentioned above, the Group's profit from operations surged by approximately 88.6% to approximately RMB261.0 million in the year ended 31 December 2010 from approximately RMB138.3 million in the year ended 31 December 2009, primarily as a result of an increase in other operating revenue and the increase in concessionaire sales of fashion and clothing which has a higher commission rate than other categories of products.

Finance income

Finance income decreased by approximately 78.3% to approximately RMB8.2 million in the year ended 31 December 2010 from approximately RMB37.7



million in the year ended 31 December 2009, primarily attributable to the significant decrease in net gain on held-for-trading investments in 2010.

Finance costs

Finance costs increased by approximately 37.6% to approximately RMB1.7 million in the year ended 31 December 2010 from approximately RMB1.2 million in the year ended 31 December 2009, primarily attributable to the increase in interest paid for the outstanding bank borrowings.

Income tax expense

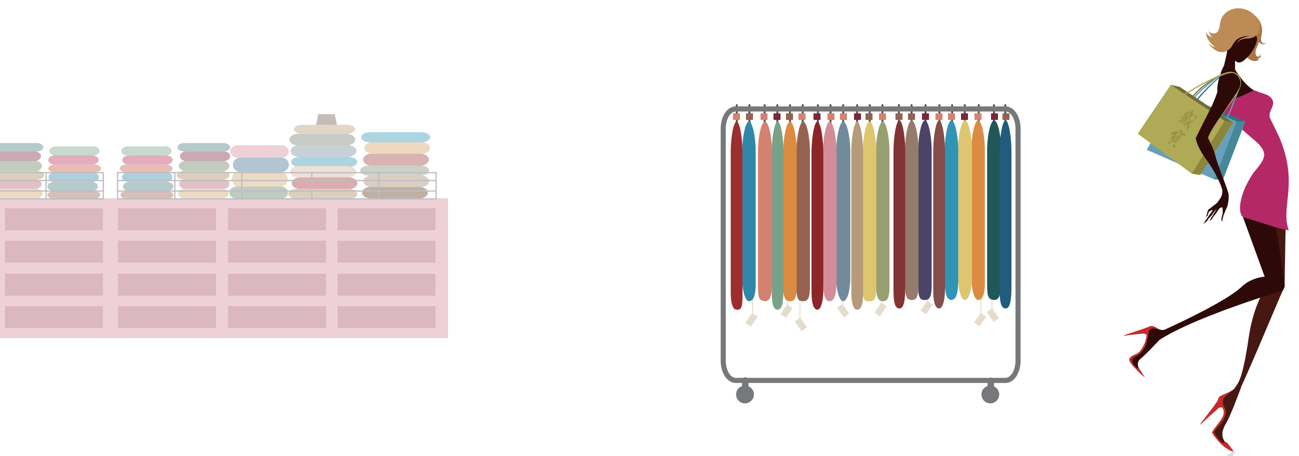
Income tax expense amounted to approximately RMB67.4 million, representing an increase of approximately 95.2% from approximately RMB34.5 million in the year ended 31 December 2009. The effective tax rate applicable to the Group was 25.2%, which was a result of the increase in the enterprise income tax rate applicable to Shenzhen from 20% to 22%. 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 10%.

Profit attributable to equity shareholders of the Company

As a result of the aforementioned, profit attributable to equity shareholders of the Company increased by 42.6% from approximately RMB140.3 million in the year ended 31 December 2009 to approximately RMB200.1 million in the year ended 31 December 2010, which is close to the forecast profit of the Group as set forth in the Prospectus.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's cash and cash equivalents amounted to approximately RMB1,736.0 million, increased by approximately RMB1,418.1 million from approximately RMB317.9 million as at 31 December 2009, mainly due to the net proceeds (the "**Net Proceeds**") received from the initial public offering of the shares of the Company in November 2010. The cash and cash equivalents, which were in Hong Kong dollars and Renminbi, were held at banks in Hong



Kong as short-term deposits for interest income and deposited with banks in the PRC.

As at 31 December 2010, the Group did not have any outstanding bank borrowing (2009: RMB132.0 million). The decrease was due to the repayment of bank loans during the year.

Net current assets and net assets

The net current assets of the Group as at 31 December 2010 were approximately RMB1,263.9 million, representing an increase of approximately RMB1,225.9 million. The net assets of the Group as at 31 December 2010 increased to approximately RMB1,531.0 million, representing an increase of approximately RMB1,268.8 million. The increase was mainly due to the Net Proceeds.

Pledge of assets

As at 31 December 2010, no asset of the Group was pledged to any bank or lender.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the PRC with most of its transactions settled in RMB. Certain cash and bank balances of the Group are denominated in HKD and the Company pays dividends in HKD which exposes the Group to foreign exchange risks arising from the translation of HKD against RMB. For the year ended 31 December 2010, the Group recorded a net foreign exchange loss of approximately RMB6.0 million. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign exchange exposure.

EMPLOYEES

As at 31 December 2010, the total number of employees of the Group was 2,763. Salaries, bonuses and benefits are determined with reference to market conditions and the performance, qualifications and experience of individual employees.

USE OF NET PROCEEDS

On 17 November 2010, the shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange and the Group raised Net Proceeds of approximately HKD1,313.4 million (after deducting underwriting fees and related expenses). Up to 31 December 2010, the Group had not utilised any of the Net Proceeds and the Net Proceeds were deposited in reputable financial institutions. The Directors intend to apply the Net Proceeds in the manner as described in the Prospectus.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. YANG Xiangbo, *Executive Chairman and a member of Remuneration Committee*

Mr. YANG Xiangbo, aged 48, was appointed as a Director on 5 November 2008. Mr. YANG is also a director and chairman of Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Department Store (Shenzhen)**") and Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**"), a director of Shirble Department Store (Hong Kong) Limited ("**Shirble Department Store (Hong Kong)**") and Shirble Department Store Investment Limited ("**Shirble Hong Kong**"), and an executive director of Shenzhen Shirble Mingxing Trading Company Limited ("**Shirble Mingxing Trading**"), Changsha Shirble Apparel Company Limited ("**Shirble Apparel**"), Shenzhen Xiangzhixuan Trading Company Limited ("**Shirble Xiangzhixuan**"), Shenzhen Ruizhuo Trading Company Limited ("**Shirble Ruizhuo**") and Shenzhen Yuzhixiang Trading Company Limited ("**Shirble Yuzhixiang**"). Mr. YANG is the founding investor and is responsible for formulating the overall business development strategies and providing the overall management directions of the Group. From 1984 to 1990, Mr. YANG was engaged in trading of products including daily necessities and construction materials in Guangzhou and Shenzhen. In 1990, Mr. YANG established Shirble Holdings Limited (which is not part of the Group). From 1992 to late 1995, Mr. YANG operated a department store in Shenzhen named Dajiangnan Shopping Mall. Mr. YANG ceased to operate Dajiangnan Shopping Mall in late 1995. From 1992 to 2006, Mr. YANG was a director of Haerbin Hatou Investment, which has been listed on the Shanghai Stock Exchange since 1994, the principal business of which is the provision of electricity and heat. In late 1995, through his savings, Mr. YANG established Shirble Department Store (Shenzhen) with the first department store in Shenzhen opened in January 1996. Mr. YANG served as a director of China Merchants Bank from 1993 to 1995 and a director of China Minsheng Bank from 1995 to 2003. Mr. YANG has been a member of the eighth, ninth and tenth sessions of the National Committee of the Chinese People's Political Consultative Conference. In 1993, Mr. YANG was granted a honorary doctor's degree in engineering from Haerbin Institute of Technology. Mr. YANG is the father of Mr. YANG Ti Wei and the uncle of Mr. ZHU Bijiang, both being members of the Group's senior management team. Mr. YANG is a director of Shirble Department Store Limited ("**Shirble BVI**") and Xiang Rong Investment Limited ("**Xiang Rong Investment**"), both being the Company's substantial shareholders.

Madam YANG Xiaomei, *Chief Executive Officer and Executive Director and a member of Nomination Committee*

Madam YANG Xiaomei, aged 54, was appointed as a Director on 16 March 2010. Madam YANG is also the vice chairman and general manager of Shirble Department Store (Shenzhen), a director and general manager of Shirble Chain Store, the general manager of Shirble Mingxing Trading, Shirble Xiangzhixuan, Shirble Ruizhuo and Shirble Yuzhixiang, and the person in charge of each of the Group's department stores. Madam YANG is one of the co-founders of the Group with Mr. YANG Xiangbo, and is responsible for the Group's overall development and strategic plans and the formulation and implementation of the Group's operational plans. Madam YANG is also responsible for the Group's new development projects, the opening and location of the new stores and formulating the Group's business and organisational structure. Madam YANG joined the Group in May 1995 and since then, she has been the general manager of Shirble Department Store (Shenzhen). Madam YANG graduated from a three-year full-time course on commercial enterprise management from Nanjing City Business Vocational Training Mid-Level College in 1986 and a three-year course on economics management from the Institute of the Party School of the Communist Party of China in 1991. Madam YANG has extensive experience in retail industry for over 30 years, particularly in management of department stores. Madam YANG started her career in the retail business as a management officer of a State-owned tobacco and liquor company in Nanjing during the period between 1975 and 1983. During the period between 1986 and 1992, Madam YANG was a manager in a State-owned department store in Nanjing in which Madam YANG gained experience in retail business management. From 1992, Madam YANG has been working in Shenzhen, initially as deputy general manager of Dajiangnan Shopping Mall. In 1995, Madam YANG assisted Mr. YANG Xiangbo in the establishment of Shirble Department Store (Shenzhen) and subsequently in the same year became the general manager of Shirble Department Store (Shenzhen). Madam YANG received a number of awards for her contribution to the retail industry including the "*Top ten figures for promoting the retail industry*" in 2007 by Shenzhen Retail Business Association and "*Top Ten Outstanding Female Entrepreneurs of Shenzhen*" and "*100 Outstanding Entrepreneurs in Shenzhen in Commemoration of 30 Years of Reform*" in 2008 by Shenzhen Enterprise Confederation and Shenzhen Entrepreneur Association. Madam YANG was a representative of the National People's Congress in Nanjing during the period between 1983 and 1985. Starting from 1997, Madam YANG is the vice chairman of Shenzhen Retail Business Association. Madam YANG is a director of Homey Enterprises Limited ("**Homey Enterprises**"), a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. ZHAO Jinlin, *the Chairperson of the Audit Committee and a member of the Nomination Committee*

Ms. ZHAO Jinlin, aged 42, was appointed as an independent non-executive Director on 18 June 2010. Ms. ZHAO obtained a bachelor's degree in mechanical engineering from the Xian Jiaotong University in 1989, a master's degree in accountancy from the Southwestern University of Finance and Economics in 1995 and a doctor's degree in accountancy from the Jinan University in 2005. From 1995 to 2006, Ms. ZHAO worked in the Local Tax Bureau of Shenzhen and was responsible for providing guidance on tax collection and tax policies. Since 2006, Ms. ZHAO has been engaged in teaching and research work at the Faculty of Economics of the Shenzhen University, specialising in finance management and taxation management, and is now a professor in accounting and an instructor of postgraduate students. From 2006 to 2007, Ms. ZHAO provided financial advice to a factory in Shenzhen. Ms. ZHAO has also been an academic committee member of the China International Taxation Research Institute since August 2008, a committee member of the Shenzhen International Taxation Research Institute since March 2004 and a committee member of the Shenzhen Local Taxation Research Institute.

Mr. CHEN Fengliang, *the Chairperson of the Remuneration Committee and a member of the Audit Committee*

Mr. CHEN Fengliang, aged 37, was appointed as an independent non-executive Director on 18 June 2010. Mr. CHEN obtained a bachelor's degree in economics from the Inner Mongolia University in 1995. From 1995 to 1998, Mr. CHEN was a planning officer in the planning department of the Yike Zhao League branch of The Agricultural Bank of China. From 1998 to 2001, Mr. CHEN studied at the Graduate School of the People's Bank of China and obtained a master's degree in economics in 2001. From 2001 to 2003, Mr. CHEN was the secretary to the president's office of China Eagle Securities Company Limited. From 2003 to 2005, Mr. CHEN was a manager of risk control of China Eagle Asset Management Company Limited. Since 2006, Mr. CHEN has been a director of investment of Shanghai Sino-V Asset Management Company Limited.

Mr. JIANG Hongkai, *the Chairperson of the Nomination Committee and members of the Audit Committee and the Remuneration Committee*

Mr. JIANG Hongkai, aged 45, was appointed as an independent non-executive Director on 18 June 2010. Mr. JIANG obtained a bachelor of science degree in chemistry from South China Normal School in 1986. From 1986 to 1994, Mr. JIANG was a high school teacher. In 1994, Mr. JIANG became qualified as a lawyer in China after passing an examination required for admission as a PRC lawyer. From 1994 to 2003, Mr. JIANG worked as a lawyer in Guangdong Jihe Law Firm. Since 2003, Mr. JIANG has been working as a lawyer in the King & Capital (Shenzhen) Law Firm (formerly known as the Shenzhen branch of King & Capital Law Firm.

SENIOR MANAGEMENT

Mr. LI Zuolin, aged 42, is the Group's Vice President. Mr. LI joined the Group in May 1995 and has been the Deputy General Manager of Shirble Department Store (Shenzhen) since January 1996. Mr. LI is one of the founding members of the Group's core management team and is actively involved in the management of the department stores and implementation of relevant management policies in the areas of administration, procurement, sales and marketing, implementation of the annual plans and budgets and establishment of new department stores and other initiatives. Mr. LI has more than 18 years of experience in the retail industry in China. Mr. LI joined the retail industry as the office manager and the manger of business development of Dajiangnan Shopping Mall in Shenzhen during the period between 1992 and 1995. Mr. LI graduated from a three-year full-time course on heat supply and ventilation from the Haerbin Construction Workers University in 1992.

Mr. YANG Ti Wei, aged 24, is the Group's Vice President. Mr. YANG Ti Wei joined the Group in June 2009 and is principally responsible for the overall strategic development, operational and logistics management, information technology infrastructure planning and coordination of marketing and promotional activities of the Group. Mr. YANG Ti Wei is a director of Shirble Department Store (Shenzhen), and a supervisor of Shirble Chain Store, Changsha Shirble Department Store Limits Liability Company ("**Shirble Department Store (Changsha)**"), Shirble Mingxing Trading, Shirble Xiangzhixuan, Shirble Ruizhuo, Shirble Yuzhixiang and Shirble Apparel. Mr. YANG Ti Wei obtained a bachelor's degree in business management from the University of Surrey in 2010. Mr. YANG Ti Wei is the son of Mr. YANG Xiangbo.

Ms. CHAN Chore Man, Germaine, aged 31, is the Chief Financial Officer, Company Secretary and Investor Relationship Manager of the Company. Ms. CHAN is responsible for overseeing the overall financial and corporate governance matters of the Group. Ms. CHAN obtained a bachelor's degree in accounting from the Hong Kong University of Science and Technology in 2002. Prior to joining the Group in July 2010, Ms. CHAN has over five years of experience in the investment banking sector. Ms. CHAN started her investment banking career with Mega Capital (Asia) Company Limited in which she spent more than three years from August 2004 to January 2008. During the period between January 2008 and June 2010, Ms. CHAN was initially an associate and subsequently promoted to be an assistant vice president of the investment banking department of Daiwa Capital Markets Hong Kong Limited, focusing on corporate finance transactions including initial public offering and other financial and compliance advisory matters. Ms. CHAN has two years of experience in the accounting and tax department at Ernst and Young between 2002 and 2004. Ms. CHAN has been a member of the Hong Kong Institute of Certified Public Accountants since 2006.

Ms. HUANG Bihui, aged 39, is the Group's Director of Finance. Ms. HUANG is principally responsible for overseeing all the accounting, finance and budget matters of Shirble Department Store (Shenzhen). In 1996, Ms. HUANG graduated from a three-year part-time Professional English for Higher Education course organised by Guangdong Foreign Language and Foreign Trade University. In January 1996, Ms. HUANG joined Shirble Department Store (Shenzhen) as a supervisor of the finance department and was subsequently promoted to be a finance manager before becoming the Director of Finance in 2005. In 2009, Ms. HUANG received a master's degree in business administration from the Shanghai University of Finance and Economics.

Mr. ZHU Bijiang, aged 38, is the Group's Director of Procurement. Mr. ZHU is also a director of Shirble Chain Store and an executive director of Shirble Department Store (Changsha). Mr. ZHU graduated from a four-year part-time course on laws organised by Tongji University in 2006. Mr. ZHU joined Shirble Department Store (Shenzhen) in August 1995 as a procurement manager and has been promoted to be the Director of Procurement since January 2008, responsible for formulating the annual procurement plan, sales target, sales programmes and site operation plans, and development and management of customers. Prior to joining the Group, Mr. ZHU worked as a manager of Dajiangnan Shopping Mall in Shenzhen during the period between 1991 and 1995 and at that time, Mr. ZHU was involved in procurement and merchandising activities of the department store. Mr. ZHU is a nephew of Mr. YANG Xiangbo.

Ms. WANG Baozhen, aged 41, is the Group's Director of Administration. Ms. WANG is responsible for overseeing the general administration management and the public relation matters of the Group. Ms. WANG obtained a bachelor's degree in history from the Capital Normal University in 1991. Ms. WANG joined the Group in May 1997 and was the Group's office manager and assistant of the Group's general manager before becoming the Director of Administration in January 2005. Prior to joining the Group, Ms. WANG worked as an office manager in Dajiangnan Shopping Mall in Shenzhen during the period between 1993 and 1997, during when Ms. WANG obtained experience in handling various administration and public relationship matters.

Mr. HE Ge, aged 41, is the Group's Deputy Director of Procurement specialised in the sourcing, procurement, management of concessionaire counters and product planning of supermarket items for all the department stores. Mr. HE graduated from a four-year part-time course on business administration from the Ningxia University in 2006. Mr. HE joined Shirble Department Store (Shenzhen) in July 1995 as a procurement officer and was subsequently promoted to be a deputy manager of the procurement department before becoming the Deputy Director of Procurement since January 2005.

Mr. LI Aiming, aged 41, is the Group's Deputy Director of Procurement specialising in the sourcing, procurement, management of concessionaire counters and product planning of garment and apparel items, leather products and children's products for the department stores. Before joining the Group, Mr. LI worked as a procurement manager in Dajiangnan Shopping Mall in Shenzhen during the period between 1992 and 1995, during when Mr. LI gained extensive experience in sourcing and procurement activities. Mr. LI joined Shirble Department Store (Shenzhen) in July 1995 as a procurement officer and was subsequently promoted to be a manager of procurement. Mr. LI has been the Deputy Director of Procurement since October 2008.

Mr. TANG Mingqiang, aged 40, is the Group's Deputy Director of Procurement specialising in the sourcing, procurement, management of concessionaire counters and product planning of electrical appliances for the Group's department stores. Mr. TANG graduated from a two-year full-time course on marketing and sales from the Guangxi Commerce School in 1991. Mr. TANG joined Shirble Department Store (Shenzhen) in September 1995 as a procurement officer and was subsequently promoted to be a deputy manager of the procurement department before becoming the Deputy Director of Procurement since October 2008. Before joining the Group, Mr. TANG worked as an administration staff for a food manufacturing company for a period of about five years.

Ms. LIU Lixin, aged 53, is the Group's Deputy Director of Business Operation. Ms. LIU is principally responsible for the management of the Group's Shenzhen Distribution Centre, the maintenance and repair department and the management of staff recruitment and training programs. Ms. LIU graduated from a two-year full-time course in chemistry from the Anhui Suzhou Normal School in 1980, and a further two-year course in chemistry from the Xinjiang Education Institute in 1991. From 1986 to 1995, Ms. LIU was a secondary school teacher. Ms. LIU joined Shirble Department Store (Shenzhen) in June 1995 and was an administration officer and assistant of the general manager of Shirble Department Store (Shenzhen) before becoming the Deputy Director of Business Operation since January 2005.

Mr. XUE Junming, aged 48, is the Group's Deputy Director of Business Operation. Mr. XUE is principally responsible for overseeing the general operation and maintenance of the department stores and coordinating the opening of new department stores at different locations. Mr. XUE worked as a sales manager of the electrical appliance department of a department store in Anhui Province during the period between 1983 and 1985 and between 1988 and 1995. Mr. XUE graduated from a three-year full-time course on laws organised by the Anhui Radio & TV University in 1988. Mr. XUE joined the Group in July 1995 and was a store manager and an assistant of the general manager before becoming the Deputy Director of Business Operation since January 2005.

The Board is pleased to present the report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands with limited liability on 5 November 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Main Board of the Stock Exchange since the Listing Date.

The principal activities of the Company and its subsidiaries are the operation of department stores in the PRC.

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the Consolidated Statement of Comprehensive Income on page 38 of this report.

PROPOSED FINAL DIVIDENDS

The Board has recommended the payment of a final dividend for the year ended 31 December 2010 of RMB0.0041 in cash per share of the Company. On the assumption that shareholders' approval is obtained at the forthcoming annual general meeting of the Company for the payment of the above proposed final dividend, the Company shall be paying dividends of approximately 30% of the year's profit attributable to equity shareholders of the parent for the period commencing from the Listing Date to 31 December 2010. Upon the approval being obtained in the forthcoming annual general meeting, the above final dividend will be paid to shareholders whose name appear on the register of members of the Company at close of business on 20 May 2011. The proposed final dividend will be paid in Hong Kong dollars, and will be calculated by reference to the middle rate published by the People's Bank of China for the conversion of RMB to Hong Kong dollars as at 20 May 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23(b) to the financial statements.

RESERVES

As at 31 December 2010, distributable reserves of the Company included the Company's retained earnings amounted to RMB10,351,000 and the Company's share premium amounted to RMB894,338,000. By passing an ordinary resolution of the Company, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of the Cayman Islands. Details of the movements in reserves of the Company and the Group during the year are set out in note 23(a) to the financial statements and in the consolidated statement of changes in equity, respectively.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB877,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands do not impose any limitations on such rights.

DIRECTORS

The Directors of the Company are as follow:

Director	**Date of appointment**
Executive Directors:	
Mr. YANG Xiangbo *(Chairman)*	(5 November 2008)
Madam YANG Xiaomei	(16 March 2010)
Independent Non-executive Directors:	
Ms. ZHAO Jinlin	(18 June 2010)
Mr. CHEN Fengliang	(18 June 2010)
Mr. JIANG Hongkai	(18 June 2010)

No Director has resigned during the year ended 31 December 2010.

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 84 of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with the Company's articles of association and the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), Mr. YANG Xiangbo will retire at the forthcoming annual general meeting of the Company and Madam YANG Xiaomei and Ms. ZHAO Jinlin will retire by rotation. All retiring Directors, being eligible, would offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract, together with supplement, with the Company for an initial term of three years commencing on 17 November 2010. The service contract shall continue thereafter and may only be terminated in accordance with the provisions therein contained by either party giving to the other not less than three months' prior notice in writing. Mr. YANG Xiangbo will receive an annual Director's fee of HK$1,440,000 under the service contract. Madam YANG Xiaomei will receive an annual Director's fee of HK$780,000.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

RETIREMENT SCHEMES

Employees of the Company's subsidiaries in the PRC and Hong Kong are required to participate in defined contribution retirement schemes. Particulars of these retirement plans are set out in note 5(b) to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2010, the interests of the Directors in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "**SFO**"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set forth in Appendix 10 to the Listing Rules were as follows:

(a) Long positions in Shares of the Company

Name of director	Capacity	Number of shares	Percentage of shareholding
Mr. YANG Xiangbo[1]	Interest in a controlled corporation	1,662,487,500	66.5%
Madam YANG Xiaomei[2]	Interest in a controlled corporation	150,000,000	6.0%

Notes:

(1) Mr. YANG Xiangbo is the beneficial owner of all the issued share capital of Xiang Rong Investment, which in turn owns the entire issued share capital of Shirble BVI and is deemed to be interested in the 1,662,487,500 Shares held by Shirble BVI.

(2) Madam YANG Xiaomei is the beneficial owner of all the issued share capital of Homey Enterprises which holds 150,000,000 Shares and is deemed to be interested in the Shares held by Homey Enterprises.

(b) Long positions in the shares of associated corporations

Name of director	Name of associated corporations	Capacity	Number of shares	Percentage of shareholding
Mr. YANG Xiangbo	Shirble BVI	Interest in a controlled corporation	50,000	100%
Mr. YANG Xiangbo	Xiang Rong Investment	Beneficial owner	100	100%
Madam YANG Xiaomei	Homey Enterprises	Beneficial owner	100	100%

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights of such interests during the period from the Listing Date to 31 December 2010.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2010, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Shirble BVI	Beneficial owner	1,662,487,500	66.5%
Xiang Rong Investment	Interest in a controlled corporation	1,662,487,500	66.5%
Homey Enterprises	Beneficial owner	150,000,000	6.0%

Save as disclosed above, as at 31 December 2010, the Directors are not aware of any person (other than a Director or chief executive of the Company) who had any interests or short positions in shares or, underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "**Scheme**") pursuant to the resolutions of the shareholders of the Company passed on 30 October 2010:

A summary of the Scheme is as follows:

1. The purpose of the Scheme is to recognise and acknowledge the contributions that the eligible participants have made or may make to the business development of the Group. Apart from the determination of the subscription price, the Directors will have an absolute discretion to impose performance targets on the option holders before any option that can be exercised with reference to the objectives of the Share Option Scheme. A consideration of HK$1.0 will be payable upon acceptance of the offer.

2. The eligible participants of the Scheme are:

   (i) any executive, non-executive or independent non-executive Director;

   (ii) any employee of the Group; and

   (iii) any customer, supplier, agent, business or joint venture partner, consultant, distributor, promoter, service provider, adviser or contractor to any member of the Group.

3. The maximum number of Shares may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company (i.e. 250,000,000 Shares) as at the Listing Date.

4. Unless approved by Shareholders, no option may be granted to any eligible participants which if exercised in full would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible participant (including exercised, cancelled and outstanding share option) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of Shares in issue as at the date of such new grant.

5. An option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the Board to the grantee save that such period shall not be more than 10 years from the business day on which the option is deemed to have been granted in accordance with the terms of the Scheme. There is no minimum period for which an option must be held before it can be exercised.

6. The subscription price in respect of each Share under the Scheme shall, subject to any adjustments made as described below, be a price determined by the Board and notified to the eligible participant and shall be no less than the highest of: (i) the nominal value of a Share; (ii) the closing price of each Share as stated in the Stock Exchange's daily quotations sheet on the date of offer to the eligible participant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (a "**Trading Day**"); and (iii) the average closing price of each Share as stated in the Stock Exchange's daily quotations sheets for the five (5) consecutive trading days immediately preceding the date of offer to the eligible participant.

7. The Scheme will remain in force until 29 October 2020.

Since the date of adoption of the Scheme and up to the date of this report, no options have been granted under the Scheme.

REMUNERATION POLICY

The employees' and Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. In addition to the fees, salaries, housing allowances, other allowances, benefits in kind or bonuses, the Company has conditionally adopted the Share Option Scheme pursuant to which the participants, including the Directors, may be granted options to subscribe for the Shares.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2010, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete with the business of the Group.

As disclosed in the Prospectus, the Controlling Shareholders (as defined in the Prospectus) and the executive Directors (collectively, the "**Covenantors**") have entered into a deed of non-competition in favor of the Company with effect from the Listing Date. The Convenantors have provided the Group with written confirmations that they and their associates (other than members of the Group) have fully complied with the deed of non-competition from the Listing Date up to and including 31 December 2010.

The independent non-executive Directors have conducted an annual review on the Covenantors' compliance with the deed of non-competition, the options, the pre-emptive rights or first rights of refusals provided by the Controlling Shareholders (as defined in the Prospectus) on their existing or future competing businesses.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations" and "Share Option Scheme" above, at no time during the year was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ARRANGEMENTS TO PURCHASE SHARES

At no time during the year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken in the ordinary course of business are set out in note 27(a) to the financial statements. The transactions stated below constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Lease agreement with Luhe Country Shirble Inn ("Shirble Inn")

Pursuant to a lease agreement dated 1 June 2004 and a supplemental agreement dated 1 March 2010 entered into between Shirble Chain Store and Shirble Inn, Shirble Chain Store has agreed to lease the property with a total area of approximately 2,227 sq. m. located at the 1st Floor and 2nd Floor of Shirble Inn from 3 June 2004 until 31 December 2012 as the Group's Luhe store. The annual rental is fixed at RMB198,000.

Shirble Inn is ultimately controlled by Mr. YANG Xiangbo, an executive Director and a controlling Shareholder. Hence, Shirble Inn is an associate of a connected person of the Company. Pursuant to the Listing Rules, Shirble Inn is a connected person of the Company.

Lease agreements with Shenzhen Guozhan Investment Development Co., Ltd ("Shenzhen Guozhan")

Pursuant to a lease agreement dated 9 October 2009 and a supplemental agreement, Shirble Department Store (Shenzhen) leased part of the Shenzhen Distribution Centre of 7,500.43 sq. m. from Shenzhen Guozhan for the period from 15 September 2009 to 31 December 2012 for the Group's continuous use as distribution centre. The monthly rental is RMB33 per sq. m., i.e. an annual rental of approximately RMB2,970,000.

In addition, pursuant to another lease agreement and a supplemental agreement both dated 29 June 2009, Shirble Department Store (Shenzhen) leased from Shenzhen Guozhan a property of approximately 13,298.93 sq. m. located at the building complex situated at Shangbu North Road, Bagualing Zone 7-1, Futian District, Shenzhen, the PRC. The property is part of the Group's Shenzhen Distribution Centre. The lease periods are set forth below:

Area	Period	Monthly rental
(sq. m.)		*(RMB)*
3,556.07	1 January 2009 to 31 December 2012	117,350.31
9,742.86	1 April 2009 to 31 December 2012	321,514.38
	Total	**438,864.69**

Shenzhen Guozhan is owned as to 20% by Mr. ZHU Huayue, Mr. YANG Xiangbo's brother-in-law and as to 80% by Ms. ZHU Bihui, Mr. YANG Xiangbo's niece, who is also a 50% equity interest holder of Ruizhuo Investment. Hence, Shenzhen Guozhan is a connected person of the Company under the Listing Rules.

Lease agreements with Ruizhuo Investment

1. *Lease of part of the Shenzhen Distribution Centre*

   Pursuant to a lease agreement and a supplemental agreement both dated 29 June 2009, Shirble Department Store (Shenzhen) leased from Ruizhuo Investment a property of 3,345.82 sq. m. located at the building complex situated at Shangbu North Road, Bagualing Zone 7-1, Futian District, Shenzhen, the PRC. The property is part of the Group's Shenzhen Distribution Centre. The lease periods are set forth below:

Area	Period	Monthly rental
(sq. m.)		*(RMB)*
1,695.63	1 January 2004 to 29 February 2008 and 1 December 2008 to 31 December 2012	55,955.79
277.43	1 January 2004 to 31 December 2012	9,155.19
1,372.76	1 July 2002 to 31 December 2012	56,283.16
	Total	**121,394.14**

   Thus, the aggregate annual rental is approximately RMB1,457,000.

2. *Lease of a commercial property as a tobacco sales counter*

   Pursuant to a lease agreement dated 12 January 2010 and a supplemental agreement, Shirble Chain Store leased from Ruizhuo Investment a property of 39.02 sq. m. located at Bao'an Road, Luohu District, Shenzhen, China for the period from 10 January 2010 to 9 January 2013 at a monthly rental of approximately RMB1,678, i.e. an annual rental of approximately RMB20,134. The property is used as a tobacco sales counter of the Group's Hongbao store.

Ruizhuo Investment is owned in equal shares by Mr. ZHU Bijiang, who is a member of the Group's senior management team and a nephew of Mr. YANG Xiangbo, and Ms. ZHU Bihui, who is a niece of Mr. YANG Xiangbo. Hence, Ruizhuo Investment is a connected person of the Company under the Listing Rules.

All of the above transactions involve lease of properties from entities controlled by Mr. YANG or his associates. The continuing connected transactions represented by the lease agreements with Shirble Inn, Shenzhen Guozhan and Ruizhuo Investment should be aggregated and treated as if they were one transaction pursuant to Rule 14A.25 of the Listing Rules.

For the year ended 31 December 2010, the aggregate annual rental paid under the lease agreements with Shirble Inn, Shenzhen Guozhan and Ruizhuo Investment amounted to RMB9,912,000 which was within the applicable annual cap of RMB9,914,000.

The above constitute continuing connected transactions under Chapter 14A of the Listing Rules and a waiver from strict compliance with the announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules has been granted by the Stock Exchange.

The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions were:

(i) carried out in the ordinary and usual course of business of the Company;

(ii) carried out on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, the auditor of the Company have confirmed that the above transactions have been approved by the Board and did not exceed the applicable annual cap stated in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

As the Group is principally engaged in retail sales, none of its customers and suppliers accounted for more than 5% of its turnover in the year ended 31 December 2010. None of the Directors or shareholders who owned 5% or more of the issued shares capital of the Company as at 31 December 2010 or any of their respective associates held any interest in any of the five largest customers and suppliers of the Company for the year ended 31 December 2010.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2010, the Group did not have any bank loans and other borrowings (2009: RMB132.0 million). Particulars of the bank loans and other borrowings are set out in note 21 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to the publication of this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2010 since the Listing Date and at any time up to the latest practicable date prior to the publication of this report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the "Connected Transactions" section above, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CORPORATE GOVERNANCE REPORT

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" under this annual report.

SUBSEQUENT EVENTS

After the reporting date, the directors proposed a final dividend of RMB10,250,000 on 24 March 2011. Further details are disclosed in note 23(d) to the financial statements.

AUDITOR

The financial statements were audited by KPMG who will retire at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint KPMG as auditor of the Company.

On behalf of the Board

YANG Xiangbo
Chairman

24 March 2011

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance to the Group's success and therefore is committed to achieving and maintaining high standards of corporate governance. The Company has applied the principles and code provisions set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, except for the deviations as disclosed in this report, the Company has complied with the code provisions set out in the Code for the period from the Listing date to 31 December 2010 (the "**Relevant Period**").

BOARD OF DIRECTORS

The Board comprises two executive Directors, namely Mr. Yang Xiangbo (Chairman) and Madam Yang Xiaomei, and three independent non-executive Directors, namely Ms. Zhao Jinlin, Mr. Chen Fengliang and Mr. Jiang Hongkai. Pursuant to Article 84 of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election. The biographical details of the Directors are set out in the "Directors and Senior Management Profile" section on pages 17 to 22 of this annual report.

The roles of Chairman and the Chief Executive Officer are separately performed by Mr. Yang Xiangbo and Madam Yang Xiaomei, respectively, in order to ensure the balance of power and authority. The Chairman is responsible for leading the Board as well as formulating the Group's overall business development strategies and providing overall management directions of the Group whilst the Chief Executive Officer is responsible for the day-to-day management of the Group's business.

The Board is responsible for overall management and control of the Company including formulation and approval of overall strategies, material transactions, business plans and other significant financial and operational matters to enhance the value to shareholders. The Board has delegated the responsibilities for day-to-day operations and management of the Group's business to the Chief Executive Officer and senior management of the Company.

In accordance with Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the three independent non-executive Directors. The Company considers all the independent non-executive Directors are independent. Each of the independent non-executive Directors is appointed for a term of one year from 18 June 2010.

FREQUENCY OF MEETINGS AND ATTENDANCE

During the Relevant Period, only one Board meeting was held as the Company was listed on the Stock Exchange on the Listing Date. All Directors attended the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 Relevant Period.

AUDITOR'S REMUNERATION

The Independent Auditor's Report of the Company's auditor, KPMG, in respect of the audit of the Group's financial statements for the year is set out on pages 36 and 37 of this report.

During the year ended 31 December 2010, the auditor's remuneration was approximately RMB1,453,000 in respect of provision of audit services to the Group.

DIRECTORS' RESPONSIBILITIES

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2010.

INTERNAL CONTROL

The Board acknowledges its responsibility to ensure that sound and effective internal controls are maintained to safeguard the shareholders' investment and the Company's assets and review the effectiveness of the internal control system annually. Procedures have been designed to facilitate effective and efficient operations, ensure reliability of financial reporting, identify and manage potential risks, safeguard assets of the Group and compliance with applicable laws and regulations.

To ensure the effectiveness of the internal control system of the Group, external consultants were hired to assist the Board to perform high-level review of internal control systems for certain business operations and processes. Such review covered financial, compliance, operational controls and risk management mechanisms. The Board believes that the existing internal control system is adequate and effective.

AUDIT COMMITTEE

Pursuant to the requirements of the Code, the Company has set up an audit committee. The audit committee comprises three Independent non-executive Directors, namely, Ms. ZHAO Jinlin, Mr. CHEN Fengliang and Mr. JIANG Hongkai. Ms ZHAO Jinlin is the Chairman of the audit committee and possesses relevant accounting expertise. None of the members of the audit committee is a former partner of the Company's existing external auditor.

The primary responsibilities of the audit committee are to review and supervise the Group's financial reporting process and internal control system, monitor the relationship with the Company's external auditor and the integrity of the financial statements.

As the Company has only been listed on the main board of the Stock Exchange since the Listing Date, no audit committee meeting was held during the Relevant Period.

REMUNERATION COMMITTEE

Pursuant to the requirements of the Code, the Company has set up a remuneration committee with majority members being independent non-executive Directors. The Remuneration Committee comprises three members, namely Mr. CHEN Fengliang (Chairperson) and Mr. JIANG Hongkai, both being independent non-executive Directors; and one executive Director, namely Mr. YANG Xiangbo.

The primary responsibilities of the remuneration committee are to provide recommendation to the Board on the remuneration package of Directors and senior management and establish formal and transparent procedures for developing such remuneration policy and structure.

As the Company has only been listed on the main board of the Stock Exchange since the Listing Date, no remuneration committee meeting was held during the Relevant Period.

NOMINATION COMMITTEE

The Company has set up a nomination committee with majority members being independent non-executive Directors. The nomination committee comprises three members, namely Mr. JIANG Hongkai (Chairperson) and Ms. ZHAO Jinlin, both being independent non-executive Directors; and one executive Director, namely Madam YANG Xiaomei.

The primary responsibilities of the nomination committee are to review the composition of the Board regularly, assess the independence of independent non-executive Directors and make recommendation to the Board on relevant matters relating to the appointment or re-appointment of Directors.

As the Company has only been listed on the main board of the Stock Exchange since the Listing Date, no nomination committee meeting was held during the Relevant Period.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for good investor relations and investor understanding of the Group's business performance and strategies. Therefore, the Company always seeks to provide relevant information through various channels including the press and analysts conferences, roadshows and forums organized by leading investment banks in order to enhance the transparency and communication with the investing public.

The Company also maintains a website at www.shirble.net/shirblecorp, where up-to-date information and updates on the Company's financial information, business development and other information are available for public access.

The general meetings of the Company provide a platform for communication between the Board and the shareholders. The Board will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised at the meetings.

Independent Auditor's Report

To the shareholders of
Shirble Department Store Holdings (China) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shirble Department Store Holdings (China) Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 38 to 88, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Turnover	3	**1,279,619**	1,148,030
Other operating revenue	4	**181,400**	85,448
Other net income	4	**1,387**	187
Purchase of and changes in inventories	5(c)	**(872,969)**	(812,712)
Personnel costs	5(b)	**(98,482)**	(87,619)
Depreciation	5(c)	**(31,204)**	(34,798)
Operating lease rental expense	5(c)	**(108,476)**	(90,153)
Other expenses		**(90,309)**	(70,042)
Profit from operations		**260,966**	138,341
Finance income		**8,204**	37,729
Finance costs		**(1,704)**	(1,238)
Net finance income	5(a)	**6,500**	36,491
Profit before tax	5	**267,466**	174,832
Income tax expense	6(a)	**(67,384)**	(34,528)
Profit for the year		**200,082**	140,304
Other comprehensive income			
Exchange differences on translation of financial statements of overseas subsidiaries	10	**93**	–
Total comprehensive income for the year		**200,175**	140,304
Profit attributable to:			
Equity shareholders of the Company		**200,082**	140,304
Profit for the year		**200,082**	140,304
Total comprehensive income attributable to:			
Equity shareholders of the Company		**200,175**	140,304
Total comprehensive income for the year		**200,175**	140,304
Earnings per share			
Basic and diluted earnings per share (RMB)	11	**0.10**	0.07

The notes on pages 44 to 88 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010

		At 31 December	
		2010	2009
	Note	**RMB'000**	RMB'000
Non-current assets			
Property, plant and equipment	12	**232,978**	193,375
Deferred tax assets	22	**36,243**	30,850
		269,221	224,225
Current assets			
Inventories	14	**215,538**	177,411
Trade and other receivables	15	**151,587**	413,110
Held-for-trading investments	16	**–**	151
Held-to-maturity investments	17	**85,093**	–
Pledged deposits	18	**–**	136,532
Cash and cash equivalents	19	**1,735,974**	317,914
		2,188,192	1,045,118
Current liabilities			
Trade and other payables	20	**893,569**	842,824
Interest-bearing borrowings	21	**–**	132,032
Income tax payables	6(c)	**30,757**	32,266
		924,326	1,007,122
Net current assets		**1,263,866**	37,996
Total assets less current liabilities		**1,533,087**	262,221
Non-current liabilities			
Deferred tax liabilities	22	**2,043**	–
		2,043	–
NET ASSETS		**1,531,044**	262,221

The notes on pages 44 to 88 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	At 31 December 2010 RMB'000	2009 RMB'000
CAPITAL AND RESERVES			
Share capital	23(b)	**214,318**	107,380
Reserves	23(c)	**1,316,726**	154,841
TOTAL EQUITY		**1,531,044**	262,221

Approved and authorised for issue by the Board of Directors of Shirble Department Store Holdings (China) Limited on 24 March 2011.

YANG Xiangbo
Director

YANG Xiaomei
Director

The notes on pages 44 to 88 form part of these financial statements.

The Company's Statement of Financial Position

As at 31 December 2010

	Note	At 31 December 2010 RMB'000	2009 RMB'000
Non-current assets			
Investments in subsidiaries	13	**107,380**	–
Current assets			
Trade and other receivables	15	**67,951**	–
Held-to-maturity investments	17	**85,093**	–
Cash and cash equivalents	19	**996,431**	4
		1,149,475	4
Current liabilities			
Trade and other payables	20	**30,476**	4
		30,476	4
Net current assets		**1,118,999**	–
Net assets		**1,226,379**	–
Capital and reserves			
Share capital	23(b)	**214,318**	–
Reserves	23(c)	**1,012,061**	–
Total equity		**1,226,379**	–

Approved and authorised for issue by the Board of Directors of Shirble Department Store Holdings (China) Limited on 24 March 2011.

YANG Xiangbo
Director

YANG Xiaomei
Director

The notes on pages 44 to 88 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Note	Attributable to equity shareholders of the Company						
		Share capital RMB'000 (note 23(b))	Share premium RMB'000 (note 23(c)(i))	Merger reserve RMB'000 (note 23(c)(ii))	Statutory reserves RMB'000 (note 23(c)(iii))	Translation reserve RMB'000 (note 23(c)(v))	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2009		117,380	–	–	41,083	–	254,081	412,544
Total comprehensive income for the year		–	–	–	–	–	140,304	140,304
Dividends to equity shareholders	23(d)	–	–	–	–	–	(280,627)	(280,627)
Appropriation to reserves		–	–	–	14,432	–	(14,432)	–
Elimination of registered capital in connection with the Reorganisation	23(b)(ii)	(10,000)	–	–	–	–	–	(10,000)
At 31 December 2009 and 1 January 2010		107,380	–	–	55,515	–	99,326	262,221
Profit for the year		–	–	–	–	–	200,082	200,082
Other comprehensive income		–	–	–	–	93	–	93
Total comprehensive income for the year		–	–	–	–	93	200,082	200,175
Arising from the Reorganisation		(107,372)	–	107,372	–	–	–	–
Issuance of shares by initial public offering, net of issuance costs	23(b)(iv)	53,580	1,055,068	–	–	–	–	1,108,648
Capitalisation issue	23(b)(v)	160,730	(160,730)	–	–	–	–	–
Dividends to equity shareholders	23(d)	–	–	–	–	–	(40,000)	(40,000)
Appropriation to reserves		–	–	–	20,660	–	(20,660)	–
At 31 December 2010		214,318	894,338	107,372	76,175	93	238,748	1,531,044

The notes on pages 44 to 88 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Operating activities			
Profit for the year		**200,082**	140,304
Adjustments for:			
Depreciation	5(c)	**31,204**	34,798
Net finance income	5(a)	**(6,500)**	(36,491)
(Gain)/loss on disposal of property, plant and equipment		**(14)**	162
Foreign exchange loss		**5,155**	–
Income tax expense	6(a)	**67,384**	34,528
		297,311	173,301
Change in inventories		**(38,127)**	(3,761)
Change in trade and other receivables		**352,258**	67,632
Change in trade and other payables		**44,792**	65,002
Interest paid		**(1,704)**	(1,238)
Income tax paid	6(c)	**(72,243)**	(12,560)
Net cash generated from operating activities		**582,287**	288,376
Investing activities			
Payment for the purchase of property, plant and equipment		**(146,108)**	(30,466)
Proceeds from disposal of property, plant and equipment		**305**	125
Payment for the purchase of held-for-trading investments		**–**	(402,645)
Proceeds from disposal of held-for-trading investments		**306**	465,411
Payment for the purchase of held-to-maturity investments		**(85,330)**	–
Interest received		**7,571**	5,002
Net cash (used in)/generated from investing activities		**(223,256)**	37,427
Financing activities			
Proceeds from initial public offering, net of issuance expenses		**1,099,294**	–
Proceeds from interest-bearing borrowings		**–**	132,032
Repayment of interest-bearing borrowings		**(132,032)**	(44,800)
Decrease/(increase) in pledged deposits		**136,532**	(136,532)
Dividend paid		**(40,000)**	(280,627)
Net cash generated from/(used in) financing activities		**1,063,794**	(329,927)
Net increase/(decrease) in cash and cash equivalents		**1,422,825**	(4,124)
Cash and cash equivalents at 1 January		**317,914**	322,038
Effect of foreign exchange rate changes		**(4,765)**	–
Cash and cash equivalents at 31 December	19	**1,735,974**	317,914

The notes on pages 44 to 88 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1 COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information and basis of presentation

Shirble Department Store Holdings (China) Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 5 November 2008 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation (the "**Reorganisation**") of the Company and its subsidiaries (collectively referred to as the "**Group**") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 5 November 2010 (the "**Prospectus**"). The Company's shares were listed on the Stock Exchange on 17 November 2010.

Since all entities which took part in the Reorganisation were under common control of a group of ultimate shareholders, the Group is regarded as a continuing entity resulting from a reorganisation of entities under common control. These consolidated financial statements have been prepared on the basis that the current group structure had been in existence at the beginning of the earliest period presented. Accordingly, the consolidated results of the Group for the years ended 31 December 2009 and 2010 include the results of the Company and its subsidiaries with effect from 1 January 2009 or, if later, since their respective dates of incorporation as if the current group structure had been in existence throughout the two years presented. The consolidated statement of financial position as at 31 December 2009 has been prepared as if the current group structure had been in existence as at that date. All material intra-group transactions and balances have been eliminated on consolidation.

1.2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and related Interpretations, issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. For the purpose of these consolidated financial statements, the Group has adopted at the beginning of the earliest year presented, all the IFRSs that have been issued and effective for the entire year, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended 31 December 2010 are set out in note 30.

1 COMPANY BACKGROUND AND BASIS OF PREPARATION *(continued)*

1.2 Basis of preparation *(continued)*

(b) Basis of measurement

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, unless otherwise stated. They are prepared on the historical cost basis except for held for trading investments that are stated at fair values (see note 2(c)(i)).

(c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. They could change significantly as a result of competitor's actions in response to severe economic cycles or other changes in market conditions. Management will reassess the estimations at each reporting date.

(ii) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the the profit or loss in future years.

1 COMPANY BACKGROUND AND BASIS OF PREPARATION *(continued)*

1.2 Basis of preparation *(continued)*

(c) Use of estimates and judgments (continued)

(iii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The management periodically reviews changes in customer preferences and industry conditions, assets retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expenses in future periods.

(iv) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised in respect of temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets, where applicable, are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(f)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**functional currency**"). The financial statements are presented in RMB (the "**presentation currency**").

(ii) Foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(iii) Financial statements of foreign operations

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities are translated into RMB at the closing foreign exchange rates at the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

(i) Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and cash and cash equivalents.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see note 2(f)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs (see note 2(o)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment *(continued)*

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation of property, plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, ranging from 14 to 59 years after the date of completion.

The estimated useful lives of other property, plant and equipment are as follows:

Machinery and equipment	5 years
Furniture and other equipment	3-5 years
Motor vehicles	5 years
Leasehold improvements	5-10 years or the remaining term of any non-renewable lease, whichever is shorter
Others	5 years

No depreciation is provided for assets under construction until such time as the relevant assets are completed and available for intended use. Assets under construction are transferred to the relevant category of property, plant and equipment upon the completion of their respective construction.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Construction in progress

Construction in progress represents primarily leasehold improvements, machinery and equipment, which are stated at cost less accumulated impairment losses (see note 2(f)). Cost includes all direct costs relating to the construction of the assets and acquisition.

(v) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other net income in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Inventories

Inventories comprise merchandise purchased for resale and are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in, first-out principle, and includes goods purchase cost and other direct costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(f) Impairment of assets

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Impairment of assets *(continued)*

(i) Non-derivative financial assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(g) Employee benefits

(i) Short-term employee benefits

Salary, annual bonuses and cost of non-monetary benefits are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution retirement plan

Obligations for contributions to local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Scheme Ordinance are recognised as an expense in profit or loss as incurred.

(h) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Direct sales

Revenue from direct sales is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Sales of goods that result in award credits for customers under the Group's customer loyalty programme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the cash coupons for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

(ii) Commission from concessionaire sales

Commission from concessionaire sales is recognised upon the sales of the concessionaire's goods by the relevant stores.

(iii) Rental income from operating leases

Rental income from subleased shop premises under operating leases is recognised in profit or loss in equal instalments over the period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Advertisement and promotion income

Advertisement and promotion income are recognised according to the underlying contract terms with concessionaries and as the services are provided accordingly.

(v) Credit card handling income

Credit card handling income is recognised when the related service is rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(k) Finance income and costs

Finance income comprises gains on the disposal of held-for-trading investments, interest income and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. All borrowing costs are recognised in profit or loss or capitalised using the effective interest method (see note 2(o)).

Foreign currency gains and losses are reported on a net basis.

(l) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purpose and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Income tax expense *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same tax authority on either:

    — the same taxable entity, or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(p) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

The information reported to the Chairman of the Company, who is the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance, is prepared based on the overall operation of department stores in the PRC, which is the only operating and reporting segment of the Group. All revenues from external customers during the year are generated in the PRC and all significant operating assets of the Group are located in the PRC.

(q) Related parties

For the purposes of the financial statements, parties are considered to be related to the Group if:

(i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) The Group and the party are subject to common control;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Related parties *(continued)*

(iii) The party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) The party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3 TURNOVER

Turnover represents direct sales, commission from concessionaire sales and rental income. The amount of each significant category of revenue recognised is as follows:

		Year ended 31 December	
		2010	2009
		RMB'000	RMB'000
Direct sales		**1,014,400**	945,651
Commission from concessionaire sales		**219,886**	172,502
Rental income	(i)	**45,333**	29,877
		1,279,619	1,148,030

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Sublease rental income	**39,080**	24,439
Contingent rental income	**6,253**	5,438
	45,333	29,877

4 OTHER OPERATING REVENUE AND OTHER NET INCOME

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Other operating revenue		
Advertisement and promotion income	**167,284**	77,360
Credit card handling income	**13,488**	7,675
Others	**628**	413
	181,400	85,448

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Other net income		
Net gain/(loss) on disposal of property, plant and equipment	**14**	(162)
Others	**1,373**	349
	1,387	187

5 PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

(a) Net finance income

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Net gain on disposal of held-for-trading investments	**(155)**	(32,727)
Interest income	**(8,049)**	(5,002)
Finance income	**(8,204)**	(37,729)
Interest expenses	**1,704**	1,238
Finance costs	**1,704**	1,238
Net finance income	**(6,500)**	(36,491)

5 PROFIT BEFORE TAX *(continued)*

(b) Personnel costs

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Wages, salaries, and other benefits	**94,322**	83,679
Contribution to defined contribution plans	**4,160**	3,940
	98,482	87,619

Personnel costs include directors' remuneration (see note 7).

The Group participates in pension funds organised by the PRC government. According to the respective pension fund regulations, the Group is required to pay annual contributions for the years ended 31 December 2009 and 2010. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Scheme Ordinance for all of its employees employed by the Company in Hong Kong. Contributions are made based on a percentage of the employee's basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) Other items

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Purchase of and changes in inventories	**872,969**	812,712
Depreciation	**31,204**	34,798
Operating lease rental expense	**108,476**	90,153
Net foreign exchange loss	**5,954**	111
Auditor's remuneration		
– audit services	**1,533**	173

6 INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statements of comprehensive income represents:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Current tax expense		
Provision for the year	**70,734**	39,125
Deferred tax expense		
Origination and reversal of temporary differences	**(3,350)**	(4,597)
	67,384	34,528

(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) No provision for Hong Kong Profits Tax was made for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the year. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Department Store (Shenzhen)**") and Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**") were entitled to a preferential income tax rate of 15% according to Regulations on Special Economic Zones in Guangdong Province (Approved for implementation at the 15th Meeting of the Standing Committee of the Fifth National People's Congress on 26 August 1980). On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("**New EIT Law**") which took effect on 1 January 2008. According to the New EIT Law and its relevant regulations issued in December 2007, the income tax rates applicable to Shirble Department Store (Shenzhen) and Shirble Chain Store are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

(iv) The applicable income tax rate is 25% for Changsha Shirble Department Store Limited Liability Company ("**Shirble Department Store (Changsha)**"), Changsha Shirble Apparel Co., Ltd. ("**Shirble Apparel**"), Shenzhen Shirble Mingxing Trading Co., Ltd. ("**Shirble Mingxing Trading**"), Shenzhen Xiangzhixuan Trading Co., Ltd. ("**Shirble Xiangzhixuan**"), Shenzhen Ruizhuo Trading Company Limited ("**Shirble Ruizhuo**") and Shenzhen Yuzhixiang Trading Company Limited ("**Shirble Yuzhixiang**").

6 INCOME TAX EXPENSE *(continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit before tax	**267,466**	174,832
Notional tax on profit before taxation, calculated at the respective rates applicable to PRC subsidiaries	**60,724**	34,104
Withholding tax on dividends declared by the Group's PRC subsidiaries	**4,460**	–
Deferred tax liabilities on expected profits distribution by the Group's PRC subsidiaries (note 22(b))	**2,043**	–
Non-deductible expenses	**157**	424
	67,384	34,528

(c) Current taxation in the consolidated statement of financial position represents:

	2010	2009
	RMB'000	RMB'000
Balance at beginning of the year	**32,266**	5,701
Provision for income tax for the year	**70,734**	39,125
Income tax paid during the year	**(72,243)**	(12,560)
Balance at the end of the year	**30,757**	32,266

7 DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December 2009				
	Fee RMB'000	Basic salaries, allowances and other benefit RMB'000	Discretionary bonus RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
Name of directors					
Executive directors					
Mr. YANG Xiangbo	–	–	–	–	–
Madam YANG Xiaomei	–	954	77	–	1,031
Independent non-executive directors					
ZHAO Jinlin	–	–	–	–	–
CHEN Fengliang	–	–	–	–	–
JIANG Hongkai	–	–	–	–	–
	–	954	77	–	1,031

	Year ended 31 December 2010				
	Fee RMB'000	**Basic salaries, allowances and other benefit RMB'000**	**Discretionary bonus RMB'000**	**Contributions to retirement benefits schemes RMB'000**	**Total RMB'000**
Name of directors					
Executive directors					
Mr. YANG Xiangbo	**–**	**151**	**–**	**–**	**151**
Madam YANG Xiaomei	**–**	**1,091**	**–**	**–**	**1,091**
Independent non-executive directors					
ZHAO Jinlin	**130**	**–**	**–**	**–**	**130**
CHEN Fengliang	**130**	**–**	**–**	**–**	**130**
JIANG Hongkai	**130**	**–**	**–**	**–**	**130**
	390	**1,242**	**–**	**–**	**1,632**

7 DIRECTORS' REMUNERATION *(continued)*

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	Year ended 31 December	
	2010	2009
Nil to RMB1,000,000	**4**	4
RMB1,000,000 to RMB1,500,000	**1**	1

There were no amounts paid during the year (2009: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil). Mr. YANG Xiangbo volunteered not to receive any remuneration during the year ended 31 December 2009.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year include one director of the Company (2009: One), whose emoluments are reflected in the analysis presented in note 7. Details of remuneration paid to the remaining four highest paid individuals of the Group are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	**1,965**	1,337
Discretionary bonus	**202**	79
Contributions to retirement benefits schemes	**18**	23
	2,185	1,439

The above individuals' emoluments are within the band of Nil to RMB1,000,000.

There were no amounts paid during the year (2009: Nil) to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB8,034,000 (2009: Nil) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**(8,034)**	–
Dividends from a subsidiary in respect of the previous financial year, approved and paid during the year	**40,000**	–
Dividends from a subsidiary attributable to the current year declared during the year	**18,385**	–
The Company's profit for the year (note 23(a))	**50,351**	–

10 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2010			2009		
	Before-tax amount RMB'000	**Tax (expense)/ benefit RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	**93**	**–**	**93**	–	–	–
Other comprehensive income	**93**	**–**	**93**	–	–	–

11 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB200,082,000 (2009: RMB140,304,000) and the weighted average of 1,952,054,795 ordinary shares (2009:1,875,000,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010 Number of shares
Shares issued upon incorporation	1
Issuance of shares upon the Reorganisation	99,999
Effect of capitalisation issue (see Note 23(b)(v))	1,874,900,000
Effect of shares issued on initial public offering (see Note 23(b)(iv))	77,054,795
Weighted average number of ordinary shares for the year ended 31 December	1,952,054,795

The weighted average number of shares in issue during the year ended 31 December 2010 and 2009 was based on the assumption that the 1,875,000,000 shares before the listing of shares on the Stock Exchange were in issue, as if such shares had been outstanding through both years presented.

There were no dilutive potential ordinary shares throughout the years, and therefore, the basic and diluted earnings per share are the same.

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Machinery and equipment RMB'000	Furniture and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2009	154,214	48,375	32,248	11,340	241,284	2,196	6,463	496,120
Additions	–	831	2,980	329	–	115	20,300	24,555
Disposals	(84,270)	(2,646)	(1,279)	(1,734)	–	–	–	(89,929)
Transferred from construction in progress	–	3,840	–	–	22,923	–	(26,763)	–
At 31 December 2009	69,944	50,400	33,949	9,935	264,207	2,311	–	430,746
Additions	–	19,963	2,725	1,928	701	17	45,764	71,098
Disposals	(307)	(37)	(27)	–	–	–	–	(371)
Transferred from construction in progress	–	–	–	–	45,764	–	(45,764)	–
At 31 December 2010	69,637	70,326	36,647	11,863	310,672	2,328	–	501,473
Accumulated depreciation								
At 1 January 2009	(25,938)	(33,719)	(22,736)	(5,469)	(145,676)	(408)	–	(233,946)
Charge for the year	(3,839)	(4,238)	(3,430)	(1,655)	(21,190)	(446)	–	(34,798)
Disposals	26,136	2,630	1,093	1,514	–	–	–	31,373
At 31 December 2009	(3,641)	(35,327)	(25,073)	(5,610)	(166,866)	(854)	–	(237,371)
Charge for the year	(1,119)	(2,059)	(3,057)	(1,268)	(23,253)	(448)	–	(31,204)
Disposals	30	33	17	–	–	–	–	80
At 31 December 2010	**(4,730)**	**(37,353)**	**(28,113)**	**(6,878)**	**(190,119)**	**(1,302)**	**–**	**(268,495)**
Net book value								
At 31 December 2009	66,303	15,073	8,876	4,325	97,341	1,457	–	193,375
At 31 December 2010	**64,907**	**32,973**	**8,534**	**4,985**	**120,553**	**1,026**	**–**	**232,978**

13 INVESTMENT IN SUBSIDIARIES

	The Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**107,380**	–

As of 31 December 2010, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation	Percentage of equity attributable to the Company Direct	Indirect	Authorised/ Issued and paid-up capital	Principal activities
Shirble Department Store Investment Limited ("**Shirble Hong Kong**")	Hong Kong, 27 October 2008	100%	–	HKD10,000/HKD1	Investment holding
Shirble Department Store (Hong Kong) Limited	Hong Kong, 21 September 2009	–	100%	USD1,200/ USD1,200	Investment holding
Shirble Department Store (Shenzhen)	the PRC, 9 November 1995	–	100%	HKD100,000,000/ HKD100,000,000	Operation and management of department stores
Shirble Chain Store	the PRC, 19 December 2003	–	100%	RMB10,000,000/ RMB10,000,000	Operation and management of department stores
Shirble Department Store (Changsha)	the PRC, 1 July 2008	–	100%	RMB30,000,000/ RMB30,000,000	Operation and management of department stores
Shirble Apparel	the PRC, 21 April 2009	–	100%	RMB100,000/ RMB100,000	Selling merchandise and apparels
Shirble Mingxing Trading	the PRC, 22 September 2009	–	100%	RMB100,000/ RMB100,000	Selling merchandise
Shirble Xiangzhixuan	the PRC, 1 December 2009	–	100%	RMB100,000/ RMB100,000	Selling merchandise
Shirble Ruizhuo	the PRC, 4 February 2010	–	100%	RMB100,000/ RMB100,000	Selling merchandise
Shirble Yuzhixiang	the PRC, 5 March 2010	–	100%	RMB1,000,000/ RMB1,000,000	Selling merchandise

14 INVENTORIES

	The Group At 31 December	
	2010	2009
	RMB'000	RMB'000
Merchandise for resale	**215,538**	177,411

No inventory provision was made as at 31 December 2010 (2009: Nil). The inventories as at 31 December 2009 and 2010 were stated at cost.

The analysis of the amount of inventories recognised as an expense is as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories sold	**872,969**	812,712

15 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**4,107**	4,507	**–**	–
Amounts due from subsidiaries	**–**	–	**57,965**	–
Deposits, prepayments and other receivables	**147,480**	34,389	**9,986**	–
Amounts due from related parties (see note 27(b))	**–**	374,214	**–**	–
	151,587	413,110	**67,951**	–

All of the trade and other receivables apart from deposits for lease of premises with a carrying amount of RMB22,781,000 at 31 December 2010 (2009: RMB14,923,000), are expected to be recovered or recognised as expenses within one year.

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

15 TRADE AND OTHER RECEIVABLES *(continued)*

An ageing analysis of trade receivables of the Group is as follows:

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Within one month	**4,107**	4,507

16 HELD-FOR-TRADING INVESTMENTS

	The Group At 31 December	
	2010	2009
	RMB'000	RMB'000
Held-for-trading investments	**–**	151

As at 31 December 2009, held-for-trading investments represent investments in listed securities. Held-for-trading investments are measured at fair value at each reporting date. The fair value of the financial product is based on the quoted price available by the bank at year end which is the amount that the Group would receive upon the redemption of the investment. The fair value of the listed securities is based on the quoted market prices at year end.

17 HELD-TO-MATURITY INVESTMENTS

	The Group and the Company At 31 December	
	2010	2009
	RMB'000	RMB'000
Held-to-maturity investments	**85,093**	–

As at 31 December 2010, the balance represents investment in unlisted fixed-rate bank note of HKD100,000,000 which will mature on 24 June 2011.

18 PLEDGED DEPOSITS

Bank deposits of RMB4,500,000 and RMB132,032,000 as at 31 December 2009 were pledged to secure the Group's bills payable (see note 20) and bank loans (see note 21).

19 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposit with banks within three months of maturity	**90,000**	5,043	**–**	–
Cash at banks and on hand	**1,645,974**	312,871	**996,431**	4
	1,735,974	317,914	**996,431**	4

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances received from customers	**389,859**	352,530	**–**	–
Trade and bills payables	**278,054**	280,750	**–**	–
Rental payables	**86,959**	73,241	**–**	–
Other taxes payables	**49,213**	61,337	**–**	–
Deferred income	**24,834**	24,974	**–**	–
Accrued wages and salaries	**12,888**	12,298	**–**	–
Amounts due to related parties (see note 27(b))	**5,480**	2,909	**–**	–
Amounts due to subsidiaries	**–**	–	**28,405**	4
Other payables and accruals	**46,282**	34,785	**2,071**	–
	893,569	842,824	**30,476**	4

Amounts due to related parties at 31 December 2009 and 2010 are unsecured, interest-free and repayable on demand.

An ageing analysis of trade and bills payables of the Group is as follows:

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Within three months	**220,866**	215,857
Over three months but within one year	**44,244**	49,229
Over one year	**12,944**	15,664
	278,054	280,750

At 31 December 2009, bills payable of RMB4,500,000 were secured by pledged deposits of RMB4,500,000. No bills payable was secured by pledged deposits as at 31 December 2010.

21 INTEREST-BEARING BORROWINGS

	The Group At 31 December	
	2010 RMB'000	2009 RMB'000
Current		
Secured bank loans	**–**	132,032

At 31 December 2009, the bank loans were denominated in Renminbi and subject to an annual interest rate of 1.41%. The bank loans were secured by the pledged deposits of RMB132,032,000.

22 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised

(i) The Group

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accrued Expenses RMB'000	Depreciation on property, plant and equipment RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total deferred tax RMB'000
Deferred tax arising from:				
At 1 January 2009	17,640	8,613	–	26,253
Credited to consolidated statement of comprehensive income	3,352	1,245	–	4,597
At 31 December 2009	20,992	9,858	–	30,850
Credited/(charged) to consolidated statement of comprehensive income	4,056	1,337	(2,043)	3,350
At 31 December 2010	25,048	11,195	(2,043)	34,200

(ii) Reconciliation to the statement of financial position

	At 31 December	
	2010 RMB'000	2009 RMB'000
Net deferred tax assets recognised on the statement of financial position	**36,243**	30,850
Net deferred tax liabilities recognised on the statement of financial position	**(2,043)**	–
	34,200	30,850

22 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

(b) Deferred tax liabilities not recognised

Pursuant to the New Tax Law in the PRC, 10% withholding tax is levied on foreign investors (5% for foreign investors who are registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As of 31 December 2010, deferred tax liabilities of RMB2,043,000 (31 December 2009: Nil) have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries. Deferred tax liabilities of RMB25,178,000 have not been recognised, in respect of the remaining retained profits generated by its PRC entities subsequent to 31 December 2007 amounting to RMB251,778,000, because the directors do not intend to declare dividends out of such retained profits to overseas companies in the foreseeable future.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000 (note 23(b))	Share premium RMB'000 (note 23(c)(i))	Contributed surplus RMB'000 (note 23(c)(iv))	Retained earnings RMB'000	Total equity RMB'000
At 1 January and 31 December 2009		–	–	–	–	–
Total comprehensive income for the year	9	–	–	–	50,351	50,351
Arising from the Reorganisation		8	–	107,372	–	107,380
Issuance of shares upon initial public offering, net of issuance costs	23(b)(iv)	53,580	1,055,068	–	–	1,108,648
Capitalisation issue	23(b)(v)	160,730	(160,730)	–	–	–
Dividends to equity shareholders	23(d)	–	–	–	(40,000)	(40,000)
At 31 December 2010		214,318	894,338	107,372	10,351	1,226,379

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Share capital

The share capital of the Group as at 1 January and 31 December 2009 represents the aggregate amount of paid-in capital of all the companies comprising the Group at the respective dates, after elimination of investments in subsidiaries.

Pursuant to the Reorganisation, the Company became the holding company of the Group. The share capital of the Group as at 31 December 2010 represents the issued capital of the Company at the reporting date.

Movements in the authorised share capital and issued and fully paid share capital of the Company during the year are as follows:

		Authorised		Issued and fully paid	
	Note	Number of ordinary shares (thousand)	Nominal value of ordinary shares HKD'000	Number of ordinary shares (thousand)	Nominal value of ordinary shares HKD'000
At 1 January 2010	(i)	3,800	380	1	–
Issuance of new shares upon the Reorganisation	(ii)	–	–	99	10
Increase in authorised share capital on 18 June 2010	(iii)	14,996,200	1,499,620	–	–
Issuance of shares upon initial public offering	(iv)	–	–	625,000	62,500
Capitalisation issue	(v)	–	–	1,874,900	187,490
At 31 December 2010		15,000,000	1,500,000	2,500,000	250,000
RMB equivalent ('000)			1,276,350		214,318

(i) The Company was incorporated in Cayman Islands on 5 November 2008 with an authorised share capital of HKD380,000 divided into 3,800,000 shares of HKD0.10 each. On the same date, one share was subscribed by Codan Trust Company (Cayman) Limited which was subsequently transferred to Mr. YANG Xiangbo. On the same date, an additional 914 shares was allotted and issued to Mr. YANG Xiangbo, 60 shares were allotted and issued to Madam YANG Xiaomei and 25 shares were allotted and issued to Mr. LI Zuolin.

(ii) On 5 August 2009, Shirble Department Store (Shenzhen) acquired all the equity interest of Shirble Chain Store amounting to RMB10,000,000, which was previously held by Shenzhen Ruizhuo Investment Development Co., Ltd. ("**Ruizhuo Investment**") and Shenzhen Hengda Investment Development Co., Ltd. ("**Hengda Investment**"), at a consideration of the same amount. Accordingly, the share capital of Shirble Chain Store was eliminated in preparing the consolidated statement of financial position from that date.

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Share capital *(continued)*

(ii) *(continued)*

On 9 December 2009, the Company, Shirble Hong Kong and Shirble Department Store Limited ("**Shirble BVI**") entered into a share exchange agreement pursuant to which Shirble BVI transferred the entire equity interest in Shirble Department Store (Shenzhen) to Shirble Hong Kong, a wholly owned subsidiary of the Company, in exchange for 87,751 ordinary shares of HKD0.10 each issued by the Company. The transfer was approved by the relevant PRC government authorities on 11 March 2010.

On 15 June 2010, a share exchange agreement was entered into whereby Homey Enterprises Limited ("**Homey Enterprises**") and Kwan Mei Enterprise Limited ("**Kwan Mei Enterprise**") transferred to Xiang Rong Investment Limited ("**Xiang Rong Investment**") their shareholding in Shirble BVI, in consideration of Xiang Rong Investment paying an aggregate amount equal to the par value of the new shares as consideration for the Company to allot and issue to Homey Enterprises and Kwan Mei Enterprise 7,940 new Shares and 3,309 new Shares, respectively.

(iii) Pursuant to the written resolution passed at the board of directors' meeting on 18 June 2010, the authorised share capital of the Company was increased from HKD380,000 to HKD1,500,000,000 comprising 15,000,000,000 shares of HKD0.10 each.

(iv) On 17 November 2010, 625,000,000 ordinary shares of HKD0.10 each were issued at a price of HKD2.20 per share under the initial public offering. Proceeds of HKD62,500,000 (equivalent to RMB53,580,000) representing the par value, were credited to the Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting issuance costs of RMB70,099,000, which amounted to RMB1,055,068,000, were credited to the share premium account of the Company.

(v) Pursuant to a written resolution of the then shareholders of the Company passed on 30 October 2010, 1,874,900,000 shares of HKD0.10 each in the Company were issued at par value on 17 November 2010 to the Company's existing shareholders as at 30 October 2010 by way of capitalisation of HKD187,490,000 (equivalent to RMB160,730,000) from the share premium account.

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

Merger reserve arising from the Reorganisation represents the excess of the paid-in capital of Shirble Department Store (Shenzhen) over the consideration paid by the Company, representing the nominal value of the shares issued by the Company in exchange thereof.

(iii) Statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Shirble Hong Kong determined on the basis of the consolidated net assets of Shirble Hong Kong at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

(v) Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(b).

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Dividends

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Dividend declared and paid during the year	**40,000**	280,627
Final dividend proposed after the reporting date of RMB0.0041 per share (2009: Nil)	**10,250**	–

Pursuant to the resolutions passed at the respective board of directors' meetings on 31 March 2009 and 28 August 2009, dividends of RMB10,627,000 and RMB270,000,000 were declared to the then equity shareholders of Shirble Chain Store and Shirble Department Store (Shenzhen), respectively. Such dividends were fully paid on 20 August 2009 and 28 October 2009.

Pursuant to a resolution passed at the board of directors' meeting on 17 June 2010 and 17 September 2010, dividends of RMB30,000,000 and RMB10,000,000 were declared by the Company to its shareholders. Such dividends were fully paid.

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Financial assets of the Group include cash and cash equivalents, trade and other receivables, pledged deposits and other investments. Financial liabilities of the Group include interest-bearing borrowings and trade and other payables.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the Group's risk management policies.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The credit risk on liquid funds, held-to-maturity investments and pledged deposits is limited because the majority of the counterparties are state-owned banks.

The Group has no significant concentration of credit risk for receivables from non-related parties, as the exposure is spread over a large number of counterparties and customers. The Group believes that no impairment allowance is necessary in respect of those receivables based on historic default rates as they are not past due or past due by up to 30 days.

The Group does not provide any guarantee which would expose the Group to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group had net current assets of RMB37,996,000 and RMB1,263,866,000 as at 31 December 2009 and 2010, respectively. The Group had net cash generated from operating activities amounting to RMB288,376,000 and RMB582,287,000 for the years ended 31 December 2009 and 2010, respectively.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreement:

		31 December 2009				
			Contractual undiscounted cash outflow			
	Note	Carrying amount RMB'000	Total undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than five years RMB'000	More than five years RMB'000
Interest-bearing borrowings		132,032	133,866	133,866	–	–
Trade and other payables	20	842,824	842,824	842,824	–	–
		974,856	976,690	976,690	–	–

		31 December 2010				
			Contractual undiscounted cash outflow			
	Note	**Carrying amount RMB'000**	**Total undiscounted cash flow RMB'000**	**Within one year or on demand RMB'000**	**More than one year but less than five years RMB'000**	**More than five years RMB'000**
Trade and other payables	20	**893,569**	**893,569**	**893,569**	**–**	**–**
		893,569	**893,569**	**893,569**	**–**	**–**

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Market risk

(i) Interest rate risk

Cash and cash equivalents and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash and cash equivalents are with fixed interest rates of approximately 0.36% per annum as at 31 December 2009 and 2010, respectively. Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates ranging from 1.17% to 1.91% per annum as at 31 December 2009.

The Group's interest-bearing borrowings and interest rates as at 31 December 2009 and 2010 are set as below:

		At 31 December	
	Effective interest rate	**2010 RMB'000**	2009 RMB'000
Fixed rate borrowings	1.41%	–	132,032

Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(ii) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. The Group is exposed to foreign currency risk primarily through cash and cash equivalents and held-to-maturity investments that are denominated in HKD, while all the other operations of the Group are mainly transacted in RMB.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Market risk *(continued)*

(ii) Foreign currency risk (continued)

The following table demonstrates the Group's exposure at the reporting dates to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	At 31 December	
	2010	2009
	HKD'000	HKD'000
Cash	**407,008**	116
Trade and other receivables	**9,548**	59,601
Held-to-maturity investments	**100,000**	–
Statement of financial position exposure	**516,556**	59,717

The following table demonstrates the changes in the HKD exchange rate during the year.

	Year ended 31 December	
	2010	2009
HKD		
– Average rate	**0.8715**	0.8813
– Reporting date mid-spot rate	**0.8509**	0.8805

Foreign exchange sensitivity analysis

A 3 percent strengthening of the RMB against the HKD at 31 December would have decreased the profit by the amount shown below. This analysis assumes that the reasonably possible change in foreign exchange rates had occurred at the reporting dates and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. (The analysis has been performed on the same basis for 2009 and 2010.)

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit decrease		
– HKD	**13,186**	1,577

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Market risk *(continued)*

(ii) Foreign currency risk (continued)

Foreign exchange sensitivity analysis (continued)

A 3 percent weakening of the RMB against the HKD at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above. The analysis has been performed on the basis that all other variables remain constant.

(d) Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2009 and 2010, respectively.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings and equity as total equity attributable to equity shareholders of the Company.

The debt-to-equity ratio at 31 December 2009 and 2010 was as follows:

	At 31 December	
	2010	2009
Debt-to-equity ratio	–	50.35%

25 CAPITAL COMMITMENTS

Capital commitments outstanding at the respective year end but not provided for in the consolidated financial statements were as follows:

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Contracted for	**49,944**	581
Authorised but not contracted for	**127,950**	27,268
	177,894	27,849

26 OPERATING LEASES

(a) Leases as lessee

At each reporting date, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Within 1 year	**146,155**	103,690
After 1 year but within 5 years	**565,434**	393,466
After 5 years	**1,153,077**	627,585
	1,864,666	1,124,741

The Group leases a number of properties under operating leases in respect of retail shops, offices and warehouses. The leases typically run for a period of 12 to 22 years, with an option to renew the lease when all terms should be subjected to renegotiation. None of the leases includes contingent rentals.

(b) Leases as lessor

Future minimum lease income under non-cancellable operating leases are as follows:

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Within 1 year	**21,624**	16,653
After 1 year but within 5 years	**37,971**	27,610
After 5 years	**11,063**	6,312
	70,658	50,575

27 RELATED PARTY TRANSACTIONS

For the year ended 31 December 2010, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Ruizhuo Investment	Owned in equal shares by Mr. YANG Xiangbo's nephew and niece
Hengda Investment	Ultimately Controlled by Mr. YANG Xiangbo, one of the Controlling Shareholders
Shenzhen Guozhan Investment Development Co., Ltd. ("**Shenzhen Guozhan**")	Wholly-owned by Mr. YANG Xiangbo's brother-in-law and niece, who is one of the equity interest holders of Ruizhuo Investment
Luhe County Shirble Inn ("**Shirble Inn**")	Controlled by Mr. YANG Xiangbo, one of the Controlling Shareholders
Shirble Property Management (Shenzhen) Co., Ltd. ("**Shirble Property Management**")	Controlled by Mr. YANG Xiangbo, one of the Controlling Shareholders
Mr. YANG Xiangbo	One of the Controlling Shareholders

(a) Significant related party transactions

Particulars of significant transactions between the Group and the above related parties during the years ended 31 December 2009 and 2010 are as follows:

	Year ended 31 December	
	2010	2009
Recurring transactions:	**RMB'000**	RMB'000
Rental fee paid to		
Ruizhuo Investment	**1,477**	1,457
Shenzhen Guozhan	**8,237**	5,185
Shirble Inn	**198**	198
	9,912	6,840

27 RELATED PARTY TRANSACTIONS *(continued)*

(a) Significant related party transactions *(continued)*

The Group entered into lease agreements in respect of certain leasehold properties with related parties of the Group for its distribution centre, retail shops, training centre and employee dormitories.

The directors of the Company are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties and in the ordinary course of business.

	Year ended 31 December	
	2010	2009
Non-recurring transactions:	**RMB'000**	RMB'000
Advances to		
Hengda Investment	**30,300**	32,000
Mr. YANG Xiangbo	**–**	52,476
Shenzhen Guozhan	**3,200**	–
	33,500	84,476
Repayment of advance from		
Ruizhuo Investment	**(297)**	–
Hengda Investment	**(294,009)**	(156,687)
Shenzhen Guozhan	**(64,270)**	–
Mr. YANG Xiangbo	**(52,476)**	–
	(411,052)	(156,687)
Dispose properties to		
Shenzhen Guozhan	**–**	58,270
Ruizhuo Investment	**297**	–
	297	58,270
Rental fee paid to		
Shirble Property Management	**209**	835

27 RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Amounts due to		
Ruizhuo Investment	**389**	447
Shirble Property Management	**260**	2,462
Shenzhen Guozhan	**4,831**	–
	5,480	2,909
Amounts due from		
Hengda Investment	**–**	263,709
Shenzhen Guozhan	**–**	57,716
Shirble Inn	**–**	313
Mr. YANG Xiangbo	**–**	52,476
	–	374,214

The outstanding balances with these related parties are unsecured, interest-free and have no fixed repayment terms.

27 RELATED PARTY TRANSACTIONS *(continued)*

(c) Transaction with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Short-term employee benefits	**5,406**	3,631
Post employment benefits	**71**	56
	5,477	3,687

Total remuneration is included in "personnel costs" (see note 5(b)).

28 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors consider the immediate parent and ultimate controlling party of the Group to be Shirble BVI and Xiang Rong Investment, which are incorporated in the British Virgin Islands. Neither of them produces financial statements available for public use.

29 SUBSEQUENT EVENTS

After the reporting date, the directors proposed a final dividend on 24 March 2011. Further details are disclosed in note 23(d).

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

A number of new standards, amendments to standards and interpretations are not yet effective in respect of the year, and have not been applied in preparing the consolidated financial statements:

		Effective for accounting periods beginning on or after
Improvements to IFRSs 2010		1 July 2010 or 1 January 2011
Amendments to IFRS 1	First-time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS disclosures for first-time adopters	1 July 2010
Amendment to IAS 32	Financial instruments: Presentation – Classification of rights issues	1 February 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Revised IAS 24	Related party disclosures	1 January 2011
Amendments to IFRIC14, IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement	1 January 2011
Amendments to IFRS 1	First-time adoption of International Financial Reporting Standards – Severe hyperinflation and removal of Fixed dates for first-time adopters	1 July 2011
Amendments to IFRS 7	Financial instruments: Disclosure – Transfers of financial assets	1 July 2011
Amendments to IAS 12	Income taxes – Deferred tax: Recovery of underlying assets	1 January 2012
IFRS 9	Financial instruments: Basis for conclusions on IFRS 9 Amendments to other IFRSs and guidance on IFRS 9, Implementation guidance on IFRS 9	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of this report, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Corporate Information

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YANG Xiangbo
YANG Xiaomei

Independent Non-executive Directors:

ZHAO Jinlin
CHEN Fengliang
JIANG Hongkai

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Chan Chore Man, Germaine, *CPA*

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CHAN Chore Man, Germaine, *CPA*

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ZHAO Jinlin *(Chairperson)*
CHEN Fengliang
JIANG Hongkai

REMUNERATION COMMITTEE OF THE BOARD

CHEN Fengliang *(Chairperson)*
YANG Xiangbo
JIANG Hongkai

NOMINATION COMMITTEE OF THE BOARD

JIANG Hongkai *(Chairperson)*
YANG Xiaomei
ZHAO Jinlin

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China Construction Bank
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