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

INTERIM REPORT 2012

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 Group is one of the long established Shenzhen-based department store chains. As of 30 June 2012, the Group owned and operated 18 department stores, of which 12 were within Shenzhen, four in Dongguan, and one in each of Changsha (the capital city of Hunan Province) and Shanwei (a coastal city in the eastern Guangdong Province), with a total GFA of 249,136 sq. m. Most of the Group's stores are designed to have similar exterior and interior designs including the layouts, the colour schemes and the overall decoration for the purpose of enhancing customers' awareness of the brand "歲寶百貨".

A broad range of merchandise is offered in the Group's department 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 diverse range of customers. The Group's department stores principally target the mid-market segment, aiming to offer its customers with quality merchandise and customer-oriented services, as well as a convenient and comfortable "one-stop" shopping experience. It also caters for the relatively higher-end segment of the retail market for certain categories of products by offering well-known international and domestic branded products in the Group's department stores, so as to capture the demand of customers with higher consumption power. This market position enables the Group to capture high growth potential in the PRC retail sector.

Financial Highlights

OPERATING RESULTS

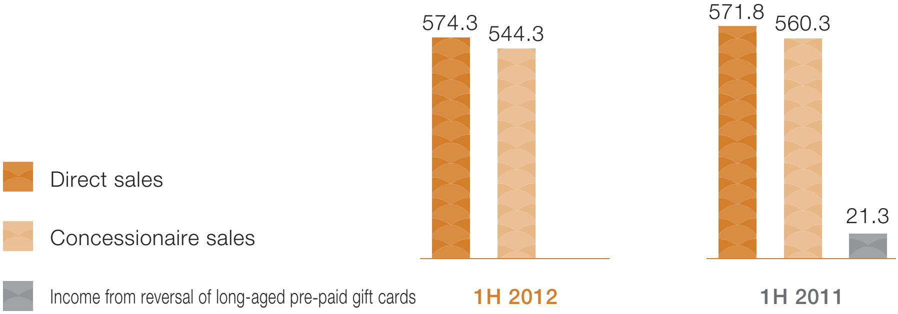
	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Turnover	687,083	713,845
(Loss)/Profit from operations	(15,463)	114,313
(Loss)/Profit before tax	(4,041)	125,294
(Loss)/Profit attributable to equity shareholders of the Company	(13,839)	94,891
(Loss)/Earnings per share (RMB per share) – Basic and diluted	(0.01)	0.04

ASSETS, LIABILITIES AND EQUITY

	At 30 June 2012	At 31 December 2011	At 30 June 2011
	RMB'000	RMB'000	RMB'000
	(unaudited)	(audited)	(unaudited)
Total assets	2,829,180	2,939,650	2,708,519
Total liabilities	1,287,881	1,384,481	1,092,744
Total equity	1,541,299	1,555,169	1,615,775

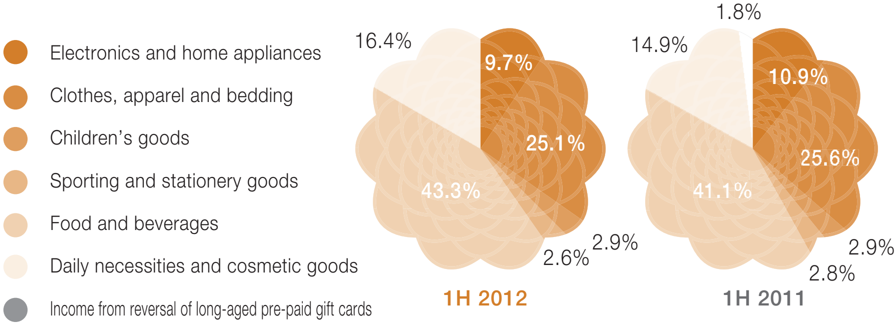
GROSS SALES PROCEEDS – BY CATEGORY

RMB (million)



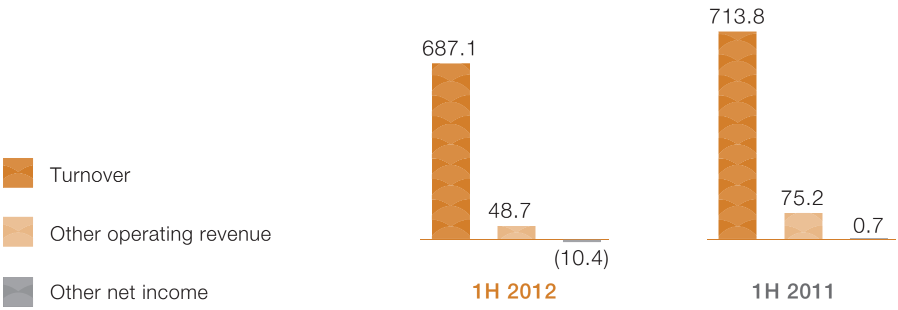
Financial Highlights

GROSS SALES PROCEEDS – BY PRODUCT CATEGORY



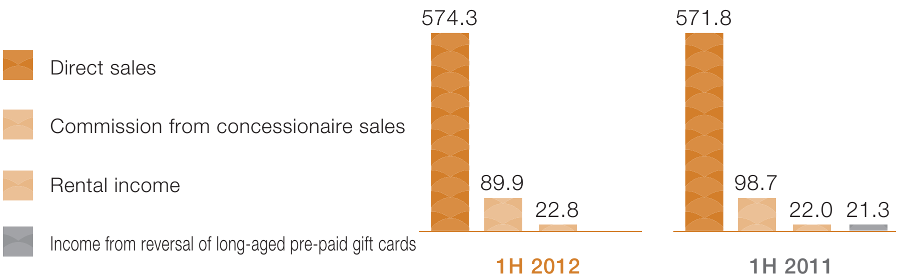
TURNOVER AND OTHER REVENUE

RMB (million)



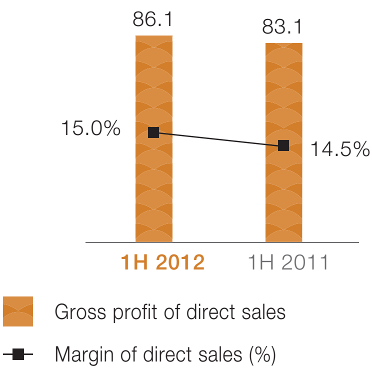
TURNOVER BY CATEGORY

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)

Chairman's Statement

MARKET AND BUSINESS REVIEW

Overall review

During the period, the board ("**Board**") of directors ("**Directors**") (including all independent non-executive Directors) of the Company focused on enhancing and strengthening the internal control measures of the Group for the rapid business development. Certain development projects are being reviewed with additional consideration. The Group, even though recording only a slight decrease of 3.7% in its turnover, recorded the first time an operating loss during the six months ended 30 June 2012 since its listing on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Directors believe that the principal reasons attributing to the operating loss were exceptional and non-recurring, namely the significant increases in the operating expenses, the less-than anticipated revenue generated from the 10 newly opened department stores, and the lack of recognition of income from the long-aged pre-paid gift cards sold by the Group.

During the six months ended 30 June 2012, the PRC retail business remained slow growing. Nevertheless, the Directors believe that the Group has its own niche with focus on its business expansion in the second- and third-tier cities in Guangdong Province, the PRC, with 10 department stores opened in 2010, 2011 and 2012. The expansion in the number of department stores is part of the business strategy of the Group to maintain its competitiveness in the slow growing business environment.

To support the business expansion of the Group and strengthen the internal control measures of the Group, the Group recruited new experienced management teams at each operational level. This increased the wages and salaries incurred by the Group during the six months ended 30 June 2012. In addition, because of the business expansion of the network of the Group's department stores, the administrative expenses and operating cost of the Group, as well as the related depreciation and amortization incurred by the Group, increased significantly, albeit that the sales generated from the newly opened department stores, particularly for those situated at the second- and third-tier cities in Guangdong Province, the PRC, were not increased at the same pace as anticipated by the Directors.

Chairman's Statement

The increasingly competitive business environment also pushed down the commission rate for concessionaire sales received by the Group during the six months ended 30 June 2012. The Group responded to this trend by focusing its efforts on direct sales. During the six months ended 30 June 2012, the Group also encountered significant decreases in two income source. First, the decrease in advertising and promotion income as a result of more stringent governmental policy which has become effective from December 2011. Second, the lack of recognition of income in respect of the long-aged pre-paid gift cards sold by the Group. In addition, the one-off impairment loss on the acquisition of a property in Shanwei also affected the overall profitability of the Group during the six months ended 30 June 2012. As a result of all these factors, the Group incurred a loss from operations for the six months ended 30 June 2012.

Despite the fact that the profitability of the Group was under pressure during the six months ended 30 June 2012, the Board remains optimistic that the business strategy of the Group is appropriate. With the implementation of all the internal control improvement measures, the appointment of the chief executive officer and the continuous opening of new department stores in selected second- and third-tier cities in Guangdong Province, the Board believes that the Group moves back to the right direction of business development and would expect to achieve a higher efficiency and better profitability in the future with no compromise on the corporate governance and the internal control issues.

Expansion of store network

As of 31 December 2011, the Group owned and operated a total of 16 department stores, including 11 department stores in Shenzhen, three in Dongguan, and one in each of Shanwei City and Changsha City. The aggregate GFA of the 16 department stores is 239,159 sq. m.

In January 2012, in order to capture the new business opportunities from customers in China looking for lifestyle products, the Group established SMART Lifestyle Specialty Store, a supermarket with GFA of 2,605.7 sq. m. in Shenzhen. The supermarket offers high-end and quality daily products for the middle-class customers in Shenzhen. The business operation of SMART is under constant review and refinement for the purpose of providing better services and product offerings to the target customers.

Chairman's Statement

In March 2012, the Group opened in Dongguan the supermarket section of the Lifestyle Square (地標店) with GFA of 7,371.48 sq. m. The Lifestyle Square (comprising a supermarket and a department store) was opened in December 2012 with a total GFA of 37,333 sq. m.

As of 30 June 2012, the Group has a total of 18 department stores in operation. The total GFA of the 18 stores is 249,136 sq. m., representing an increase of 4.2% as compared with the GFA in operation as of 31 December 2011.

Renovating selected existing stores

The Group has performed large-scale renovation for two existing department stores located in Shenzhen, namely Hongling Store and Jufu Store, for the purpose of increasing the brand awareness and enhancing shopping experience of the target customers. The renovation included upgrades to the exterior layout and the interior design. All of the renovation for Hongling Store and Jufu Store has been completed, the Directors have noticed increases in the pedestrian flow and the levels of spending by the customers visiting these two department stores.

Enhancement of VIP program

During the six months ended 30 June 2012, the Group continued to promote its VIP programme in order to enhance customer's loyalty and expand the customer base. The Group organised various outdoor activities for the VIP customers for better communications. The Directors believe that the implementation of a new computerised system could also provide a better platform and tracking system for communications with the Group's VIP customers. As of 30 June 2012, the Group had 750,000 VIP customers, representing an increase of 22.1% from 614,000 customers as of 31 December 2011. Sales generated from these VIP customers accounted for 68.1% of the Group's total gross sales proceeds.

Chairman's Statement

BUSINESS ENVIRONMENT DURING THE SECOND HALF OF 2012

It is clear that the overall economic growth in the PRC remain slow growing during the second half of 2012. This affected the level of consumption of the average consumers in the PRC. Consumers become more price-conscious, and the governmental policies may not be as effective as they were in the past to promote the growth in the retail sector in the PRC. In order to maintain the business growth of the Group, the Group would continue to implement the business expansion strategy in the second- and third-tier cities in Guangdong Province. The following sets forth the steps that have been implemented by the Group in the second half of 2012:-

Continue expansion into second- and third-tier cities in Guangdong Province

The Group has continued to expand into the neighboring regions of Guangdong Province in order to increase its market share in these regions. In the second half of 2012, in addition to the full opening of Lifestyle Square, the Group opened three department stores, namely Hongfa Store, Luhe Store and Haifeng Store.

In June 2012, the Group entered into an agreement for the rental of a five-storey high building in Shenzhen with GFA of 44,666.91 sq. m. This store, namely Hongfa Store, has started operations since August 2012. The Hongfa Store provides customers with wide range of quality merchandise and customer-oriented services.

In March 2012, the Group entered into an agreement to acquire a property in Lu He Xian, Shanwei City (the "**Luhe Property**") for the development of Luhe Store. The Luke Property is part of four residential blocks on a two-storey commercial podium, for the purchase price of RMB53,266,000. The Luhe Property comprises a portion of the commercial podium on Level 1 and Level 2 (including the mezzanine level), with GFA of 14,396.28 sq. m. The purchase price was fully paid as of 30 June 2012. The Luhe Store was opened in September 2012.

Chairman's Statement

The Group and Haifeng Wanye entered in a sale and purchase agreement on 28 December 2011 for the acquisition of a property in Haifeng Country for the purchase price of RMB168.0 million. The property consists of a three-storey commercial building with GFA of 18,933.38 sq. m. The Group has settled RMB163.0 million in July 2012 and the RMB5.0 million would be settled when the building ownership certificate is issued. The Haifeng Store was opened in November 2012.

As of 31 December 2012, the Group has a total of 21 department stores in operation, and the total GFA amounted to 364,466 sq. m.

In September 2012, the Group entered into an agreement for the rental of a three-storey high building in Meizhou City with GFA of 23,996 sq. m. This store, namely Xingning Store, is expected to be opened by end of January 2013.

In October 2012, the Group entered into the sale and purchase agreement for the purchase of a commercial property (the "**Lufeng Property**") with a developable area of approximately 15,031 sq. m. for the development of Lufeng Store. The Lufeng Property will be part of a commercial complex known as 陸城華廷商業廣場 and will consist of (a) a commercial plaza of six storeys with anticipated gross floor area of approximately 25,855.76 sq. m. and (b) an outdoor plaza surrounding the commercial complex. The Lufeng Property is expected to open in the second half of 2013.

Strategic alliances

The Group entered into strategic alliances with various business partners with principal activities of property development in the PRC. Under the agreements, the business partners would give priority to the Group to lease the properties for the development of department stores, while the Group would in turn provide supports in research, evaluation, positioning, pre-operating project planning and exterior and interior designs for the department store opening.

Chairman's Statement

Upgrade of information technology system

The Group has commenced the upgrade of its information technology system, with the first phase including different modules, such as the basic infrastructure, enhancement of finance and business intelligence modules, logistics functions and the point-of-sale management functions. The trial operation of the system begun in October 2012. The Directors expect that the overall operational procedures and management efficiency will be improved after completion of the upgrade.

Enhancement of the distribution network and logistics systems

The Group has enhanced its distribution capability and services by leasing a distribution centre in Shenzhen in April 2012. The distribution centre, together with the upgrade of the information technology system, has enhanced the inventory management and control systems of the Group and increase the operation efficiency of the Group.

Strengthening of the internal control procedures and recruitment of new management teams

The Group recruited new experienced management teams at each operational level starting from December 2011. The Group will continue to recruit new management teams as part of the improvement measures of the internal control procedures. The Group has established various internal training programs to provide vocational trainings to the management team members. The Directors believe that with their considerable experience, the new management teams could bring expertise in the relevant areas to support the business development of the Group.

Chairman's Statement

CONCLUSION

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. In addition, I would like to thank all of the Company's shareholders and investors for their ongoing support. We are all 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 the continuing economic growth in the PRC in the near future.

YANG Xiangbo

Chairman

29 January 2013

Management Discussion and Analysis

FINANCIAL REVIEW

Total gross sales proceeds

During the six months ended 30 June 2012, the Group's total gross sales proceeds were RMB1,118.6 million, representing a slight decrease of 3.1% from RMB1,153.4 million for the same period of 2011. The decrease in the total gross sales proceeds was principally due to (a) the lack of recognition of the deferred income in respect of the long-aged pre-paid gift cards; (b) the decrease in the sales generated from the existing stores amid the market slowdown and (c) the decrease in the commission income from the concessionaire sales.

The decrease in the total gross sales proceeds was mitigated by the increases in the sales contributed by five newly opened department stores, namely Liansheng Store, Changfu Store, Liaobu Store, SMART Lifestyle Speciality Store and Lifestyle Square.

The percentage of the sales revenue from the Group's direct sales continued to increase during the six months ended 30 June 2012. The revenue amount generated from the direct sales of the Group amounted to RMB574.3 million and the total sales proceeds from the concessionaire sales amounted to RMB544.3 million, accounting for 51.3% and 48.7%, respectively, of the Group's total gross sales proceeds. The increase in the direct sales, as a percentage of the Group's total gross proceeds, was a result the Group's efforts in opening new department stores and the Group's focus on re-arranging the allocation of store space for maximum economic returns.

Management Discussion and Analysis

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

	For the six months ended 30 June			
	2012 RMB' million (unaudited)	%	2011 RMB' million (unaudited)	%
Electronics and home appliances	108.5	9.7	126.3	10.9
Clothes, apparel and bedding	280.9	25.1	295.3	25.6
Children's goods	32.1	2.9	33.0	2.9
Sporting and stationery goods	29.2	2.6	32.6	2.8
Food and beverages	484.3	43.3	473.6	41.1
Daily necessities and cosmetic goods	183.6	16.4	171.3	14.9
Income from reversal of long-aged pre-paid gift cards	–	–	21.3	1.8
	1,118.6	100.0	1,153.4	100.0

Turnover

The Group's turnover amounted to RMB687.1 million for the six months ended 30 June 2012, representing a slight decrease of 3.7% as compared with RMB713.8 million for the same period of 2011. The decrease was principally due to (a) the lack of recognition of deferred income in respect of the long-aged pre-paid gift cards for the six months ended 30 June 2012; (b) the decrease in the sales generated from existing department stores amid the market slowdown and (c) the decrease in the commission income generated from the concessionaire sales because of a more competitive market. The decrease was mitigated by the increase in turnover generated from new department stores opened in Dongguan.

Management Discussion and Analysis

The direct sales of the Group during the six months ended 30 June 2012 increased slightly by 0.45% to RMB574.3 million. The increase was principally due to the Group's efforts to promote the direct sales as the principal channel of the revenue of the Group and the opening of new department stores in selected second- and third-tier cities in Guangdong Province, the PRC. The increase in direct sales from the newly opened department store was slow initially, but the Directors are confident on the fast growing in the sales generated from these department stores.

The amount of commission received from the concessionaire sales decreased by 9.0% to RMB89.9 million for the six months ended 30 June 2012 from RMB98.7 million in the same period of 2011. The commission rate of concessionaire sales was 16.5% as compared to 17.6% in the same period of 2011. Commission from concessionaire sales as a percentage of the Group's total turnover was 13.1% for the six months ended 30 June 2012 as compared to 13.8% in the same period of 2011.

Rental income increased by 3.4% to RMB22.8 million for the six months ended 30 June 2012 from RMB22.1 million in the same period of 2011. Rental income as a percentage of the Group's total turnover was 3.3% for the six months ended 30 June 2012 as compared to 3.1% in the same period of 2011.

Management Discussion and Analysis

Another key reason affecting the amount of turnover during the six months ended 30 June 2012 was the lack of recognition of deferred income from the long-aged pre-paid gift cards sold by the Group. During the six months ended 30 June 2011, the amount recognised was RMB21.3 million. Starting from the beginning of 2012, the Group conducts a bi-yearly review of the level of usage of the pre-paid cards to ensure timely recognition of income. The prepaid card balances that have not been used for a prolonged period will be recognised as income after being approved by the chief executive officer. In general, the balances of pre-paid cards can be recognised as income when the pre-paid cards have not been used in an extensive period or when the management considers that the possibility of subsequent use of the pre-paid cards is reasonably low. The management of the Group will conduct analysis based on the historical records of the pre-paid card usage to determine the possibility of its subsequent use and then the balances may be recognised as income or other appropriate accounting treatment may be made accordingly. The Group has also standardised the filing of value-added tax ("**VAT**") liability on the pre-paid cards sold by the Group. The Group was advised that VAT obligation would arise at the time when pre-paid cards were sold or when the customers use the prepaid cards for purchase at the Group's department stores. In practice, the Group issues invoices for bulk-purchase prepaid cards and upon payment of goods by retail customers using pre-paid cards, and VAT filings will be made monthly in accordance to the invoices issued. In terms of the accounting treatment of the pre-paid card purchases, the Group adopts a prudent approach by making provision for the VAT according to the accumulated balance of the pre-paid cards sold by the Group.

Management Discussion and Analysis

Other operating revenue

Other operating revenue decreased by 35.2% to RMB48.7 million for the six months ended 30 June 2012 from RMB75.2 million for the same period of 2011. The decrease was principally due to the effect of the new government policies effective from December 2011, namely 商秩發[2011]485號《清理整頓大型零售企業向供應商違規收費工作方案》, which is applicable to the Group as a "large-scale retail business enterprise". The Group, as a matter of industry practice, received from suppliers fixed amounts in a year for promotional and advertising promotional purposes. These amounts mainly reflect the locations within the department store at which the suppliers' merchandises are placed for sales and promotion. Under the new government policies, the Group is subject to more stringent measures in the receipt of payments for certain promotion and advertising services upon its fulfillment for being categorized as large retailers under the policy. Hence, the amount recognised as "Other operating revenue" decreased substantially during the six months ended 30 June 2012.

Other net (loss)/income

Other net loss amounted to RMB10.4 million for the six months ended 30 June 2012 as compared with other net income of RMB0.7 million for the same period of 2011. The decrease was mainly attributable to impairment loss on a property in Shanwei.

As detailed in the section headed "Management discussion and analysis" above, the Group entered into an agreement to purchase the Luhe Property at RMB53,266,000. Prior to entering into the transaction, the Board appointed Property valuer A, to conduct a valuation of the Luhe Property. According to the relevant valuation report, the valuation of the Luhe Property as of 2 March 2012 was RMB58.0 million.

Management Discussion and Analysis

During the course of the review of the consolidated financial statements for the six months ended 30 June 2012, the auditors requested the appointment of another property valuer for a second opinion on the value of the Luhe Property. In order to support and expedite the process, the Group engaged Property valuer B on 2 April 2012. The valuation report by Property valuer B stated that the valuation as of 30 June 2012 was RMB43.0 million. Based on the valuation report by Property valuer B, the difference of RMB10.0 million was recognised as an impairment loss on the acquisition of the property in Luhe county.

Purchases net of changes in inventories

Purchases net of changes in inventories amounted to RMB488.3 million for the six months ended 30 June 2012, representing a slight decrease of 0.1% as compared with RMB488.7 million for the same period of 2011, which is consistent with the decrease in turnover from direct sales. As a percentage of turnover from direct sales, purchases net of changes in inventories was 85.0% for the six months ended 30 June 2012 as compared with 85.5% for the same period of 2011.

Personnel costs

Personnel costs increased by 49.2% to RMB87.3 million for the six months ended 30 June 2012 from RMB58.5 million in the same period of 2011, primarily due to the increase in headcounts for the three newly opened Dongguan stores in late 2011 and early 2012 and the recruitment of new management teams. The new members of the senior management teams have extensive experience in the retail business and are expected to make contributions in enhancing the growth of the Group and strengthening the internal controls of the Group.

Depreciation and amortisation

Depreciation increased by 31.9% to RMB24.7 million for the six months ended 30 June 2012 from RMB18.8 million in the same period of 2011, principally attributable to the increase in leasehold improvements and machinery for the new stores and the acquisition of new property in Luhe Province in the current period.

Management Discussion and Analysis

Operating lease rental expense

Operating lease rental expense increased by 36.1% to RMB81.0 million for the six months ended 30 June 2012 from RMB59.5 million in the same period of 2011. The increase was principally attributable to the rental expenses of the new department stores in Dongguan, the SMART Lifestyle Specialty Store in Shenzhen, a new distribution centre in Shenzhen and the Shenzhen headquarter office.

Other expenses

Other expenses, which principally comprised utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges and maintenance expenses, increased by 19.2% to RMB59.5 million for the six months ended 30 June 2012 from RMB49.9 million in the same period of 2011. This was primarily due to the increase in number of stores in late 2011 and early 2012.

(Loss)/profit from operations

As a result of the reasons mentioned above, the Group's loss from operations decreased by 113.5% to RMB15.5 million for the six months ended 30 June 2012 from profit of RMB114.3 million in the same period of 2011.

Finance income

Finance income increased by 7.7% to RMB12.65 million for the six months ended 30 June 2012 from RMB11.75 million in the same period of 2011 which was primarily attributable to the interest earned from bank deposit of net proceeds received from the initial public offering in shares of the Company ("**Shares**") and from operations.

Management Discussion and Analysis

Finance costs

Finance costs increased by 61.3% to RMB1,232,000 for the six months ended 30 June 2012 from RMB764,000 in the same period of 2011. The increase was primarily attributable to interest paid for the outstanding bank borrowings. The amount increased as interest was incurred for six months in the current period, while the Group incurred four months interest in the same period of 2011 as the bank borrowings were made in late February 2011.

Income tax expense

Income tax expense amounted to RMB9.8 million for the six months ended 30 June 2012, representing a decrease of 67.8% from RMB30.4 million in the first half of 2011. The effective tax rate applicable to the Group for the period ended 30 June 2012 was 24%. In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by subsidiaries established in China. The applicable tax rate for the Group is 5%.

(Loss)/profit attributable to equity shareholders of the Company

As a result of the aforementioned, profit attributable to equity shareholders of the Company decreased by 114.6% from RMB94.9 million for the six months ended 30 June 2011 to loss of RMB13.8 million in the same period of 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2012, the Group's cash and cash equivalents amounted to RMB1,560.0 million, increased by RMB256.7 million from RMB1,303.3 million as of 31 December 2011. The cash and cash equivalents, which were in Hong Kong dollars and Renminbi, were deposited with banks in Hong Kong as short-term deposits for interest income and banks in the PRC.

Management Discussion and Analysis

As of 30 June 2012, the Group's outstanding bank borrowing amounted to RMB244.6 million (31 December 2011: RMB243.2 million). The borrowings are denominated in Hong Kong dollars of fixed interest rate of 1.042% per annum. The gearing ratio of the Group expressed as a percentage of interest-bearing bank loans over the total assets was 8.6% as of 30 June 2012. The Group will continue to review its cash flow position and renew the bank borrowings when necessary.

Net current assets and net assets

The net current assets of the Group as of 30 June 2012 were RMB1,089.8 million (31 December 2011: RMB1,171.6 million), representing a decrease of RMB81.8 million. The net assets of the Group as of 30 June 2012 decreased to RMB1,541.3 million (31 December 2011: RMB1,555.2 million), representing a decrease of 0.9%.

Pledge of assets

As of 30 June 2012, deposits of RMB430.2 million were pledged to bank.

Foreign exchange exposure

The business of the Group is engaged in the PRC with most of its transactions settled in RMB. Certain of the Group's cash and bank balances are denominated in Hong Kong dollars and the Company pays dividends in Hong Kong dollars which expose the Group to foreign exchange risks arising from the translation of Hong Kong dollars against RMB. For the six months ended 30 June 2012, the Group recorded a net foreign exchange loss of RMB1.6 million. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Management Discussion and Analysis

Employees and remuneration policy

As of 30 June 2012, the total number of employees of the Group was 2,998. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees.

Contingent liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities.

Use of net proceeds

On 17 November 2010, the shares of the Company 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 30 June 2012, approximately RMB40.0 million out of net proceeds was used for the opening of a department store in Shanwei, Guangdong Province, and approximately RMB80.3 million was used for the opening of three new stores in Dongguan, Guangdong Province.

Independent Review Report

Review report to the board of directors of
Shirble Department Store Holdings (China) Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 27 to 59 which comprises the consolidated statement of financial position of Shirble Department Store Holdings (China) Limited (the "**Company**") as of 30 June 2012 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except as explained in the following paragraph, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report

BASIS FOR QUALIFIED CONCLUSION

In our auditor's report dated 5 December 2012 on the financial statements for the year ended 31 December 2011 we qualified our opinion in respect of an inability to obtain sufficient appropriate audit evidence in respect of the nature of certain transactions which were recorded as prepayments, deposits and advances from suppliers in the consolidated statement of financial position as at 31 December 2011 and any other similar transactions. Specifically, in the Basis for qualified opinion paragraph of our auditor's report dated 5 December 2012 we referred to the following balances:

(i) prepayments and deposits with a total balance of RMB512,330,000 as at 31 December 2011. The total balance includes payments of RMB55.3 million, RMB256.5 million and RMB152.5 million which are accounted for and disclosed as prepayments and deposits for the decoration work on two department stores of the Group, the purchases of three properties (a distribution centre and properties in Shenzhen and Haifeng) and goods respectively; and

(ii) amounts received by the Group totalling RMB69.6 million, which were included in "Advances from suppliers".

We also referred to certain subsequent events which occurred during the period immediately following 31 December 2011, which were related to the above balances. Specifically, we referred to:

(iii) additional advance payments to suppliers for goods of RMB110 million;

(iv) the subsequent termination of the contract for the decoration work on department stores, the letter of intent for purchase of the distribution centre, and the contract for purchase of Shenzhen property and the refund of the related prepayments and deposits;

Independent Review Report

(v) the recovery from the relevant suppliers of the above-mentioned total amount of RMB262.5 million paid by the Group as prepayments for goods (being refund of the RMB152.5 million prepayment as at 31 December 2011 and the additional RMB110 million prepayment which had been paid to the suppliers in January 2012); and

(vi) the return to the suppliers of RMB63.6 million out of the above-mentioned advance of RMB69.6 million.

Further details of these transactions are disclosed in notes 12(b), 14 and 17 to this Interim financial report. These transactions are reflected in this Interim financial report as follows:

(a) the balances as at 31 December 2011 are included as comparative amounts in the Consolidated statement of financial position at 30 June 2012, as further disclosed in notes 12(b) and 14; and

(b) the cash flows during the six months ended 30 June 2012 have been reported within the "Net cash generated from/(used in) investing activities" in the Condensed consolidated statement of cash flows, with the exception of the cash flows relating to payments to/from suppliers, which have been included in "Cash generated from operations". As the majority of the cash flows relating to these transactions in 2011 occurred during the second half of that year, these transactions have not impacted materially on the comparative amounts shown in the Condensed consolidated statement of cash flows for the six months ended 30 June 2011.

As we stated in our Basis for qualified opinion in our Auditor's report dated 5 December 2012 on the financial statements for the year ended 31 December 2011, there was insufficient evidence available to us to ascertain the nature of the above mentioned payments and receipts. Consequently, we have also been unable to complete our review of the Group's Interim financial report for the six months ended 30 June 2012. Had we been able to complete our review, matters might have come to our attention indicating that adjustments might be necessary to the Interim financial report.

Independent Review Report

QUALIFIED CONCLUSION

Except for the adjustments to the interim financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

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

29 January 2013

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Notes	**RMB'000**	RMB'000
Turnover	5	687,083	713,845
Other operating revenue	6	48,728	75,163
Other net (loss)/income	6	(10,394)	701
Purchases of net changes in inventories	7(c)	(488,278)	(488,687)
Personnel costs	7(b)	(87,328)	(58,527)
Depreciation and amortisation	7(c)	(24,739)	(18,759)
Operating lease rental expense	7(c)	(81,027)	(59,519)
Other expenses		(59,508)	(49,904)
(Loss)/profit from operations		(15,463)	114,313
Net finance income	7(a)	11,422	10,981
(Loss)/profit before tax	7	(4,041)	125,294
Income tax expense	8	(9,798)	(30,403)
(Loss)/profit for the period attributable to equity shareholders of the Company		(13,839)	94,891
Other comprehensive (loss)/income			
Exchange differences on translation of financial statements of overseas subsidiaries		(31)	90
Total comprehensive (loss)/income for the period		(13,870)	94,981
Earnings per share			
Basic and diluted (losses)/earnings (RMB)	9	(0.01)	0.04

The notes on pages 27 to 59 form part of this unaudited interim financial report.

Consolidated Statement of Financial Position

at 30 June 2012 – unaudited

(Expressed in Renminbi)

	Notes	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	375,756	311,494
Deferred tax assets		44,552	42,756
Intangible assets		33,762	31,885
		454,070	386,135
Current assets			
Inventories	11	202,665	252,291
Trade and other receivables	12	182,235	567,769
Pledged deposit		430,189	430,152
Cash and cash equivalents	13	1,560,021	1,303,303
		2,375,110	2,553,515
Current liabilities			
Trade and other payables	14	1,020,934	1,104,581
Interest-bearing borrowings		244,560	243,210
Income tax payables		19,846	34,149
		1,285,340	1,381,940
Net current assets		1,089,770	1,171,575
Total assets less current liabilities		1,543,840	1,557,710
Non-current liabilities			
Deferred tax liabilities		2,541	2,541
		2,541	2,541
Net assets		1,541,299	1,555,169

The notes on pages 27 to 59 form part of this unaudited interim financial report.

Consolidated Statement of Financial Position

at 30 June 2012 – unaudited

(Expressed in Renminbi)

	Notes	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Capital and reserves			
Share capital	15(a)	213,908	213,908
Reserves	15(b)	1,327,391	1,341,261
Total equity		1,541,299	1,555,169

Approved and authorised for issue by the Board of Directors on 29 January 2013.

YANG Xiangbo
Director

The notes on pages 27 to 59 form part of this unaudited interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012 – unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 (note 15(a))	Share premium RMB'000 (note 15(b)(i))	Capital redempiton reserve RMB'000 (note 15(a))	Merger reserve RMB'000 (note 15(b)(ii))	Statutory reserves RMB'000 (note 15(b)(iii))	Translation reserve RMB'000 (note 15(b)(iv))	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2011		214,318	894,338	–	107,372	76,175	93	238,748	1,531,044
Changes in equity for the six months ended 30 June 2011									
Total comprehensive income		–	–	–	–	–	90	94,891	94,981
Dividends to equity shareholders	15(c)(ii)	–	–	–	–	–	–	(10,250)	(10,250)
Balance at 30 June 2011		214,318	894,338	–	107,372	76,175	183	323,389	1,615,775
Changes in equity for the six months ended 31 December 2011									
Total comprehensive income		–	–	–	–	–	118	(23,259)	(23,141)
Dividends to equity shareholders	15(c)(i)	–	–	–	–	–	–	(33,250)	(33,250)
Purchase of own shares:	15(a)								
– Par value paid		(410)	–	–	–	–	–	–	(410)
– Premium paid		–	–	–	–	–	–	(3,805)	(3,805)
– Transfer between reserves		–	–	410	–	–	–	(410)	–
Appropriation to reserves	15(b)(iii)	–	–	–	–	5,746	–	(5,746)	–
Balance at 31 December 2011		213,908	894,338	410	107,372	81,921	301	256,919	1,555,169

The notes on pages 27 to 59 form part of this unaudited interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 (note 15(a))	Share premium RMB'000 (note 15(b)(i))	Capital redempiton reserve RMB'000 (note 15(a))	Merger reserve RMB'000 (note 15(b)(ii))	Statutory reserves RMB'000 (note 15(b)(iii))	Translation reserve RMB'000 (note 15(b)(iv))	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2012	213,908	894,338	410	107,372	81,921	301	256,919	1,555,169
Changes in equity for the six months ended 30 June 2012								
Total comprehensive expense	–	–	–	–	–	(31)	(13,839)	(13,870)
Balance at 30 June 2012	213,908	894,338	410	107,372	81,921	270	243,080	1,541,299

The notes on pages 27 to 59 form part of this unaudited interim financial report.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2012 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	RMB'000	RMB'000
Cash generated from operations		140,053	19,641
Tax paid		(25,897)	(34,079)
Net cash generated from/(used in) operating activities		114,156	(14,438)
Net cash generated from/(used in) investing activities		141,249	(78,417)
Net cash generated from financing activities		1,313	239,308
Net increase in cash and cash equivalents		256,718	146,453
Cash and cash equivalents at 1 January		1,303,303	1,735,974
Cash and cash equivalents at 30 June	13	1,560,021	1,882,427

The notes on pages 27 to 59 form part of this unaudited interim financial report.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the operation of department stores in the People's Republic of China (the "**PRC**").

2 BASIS OF PREPARATION

The Company has a financial year end date of 31 December. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 ("**IAS 34**"), Interim Financial Reporting, issued by International Accounting Standards Board ("**IASB**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2011.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the 2011 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standard ("**IFRSs**").

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

2 BASIS OF PREPARATION (CONTINUED)

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It has also been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's Review Report to the Board of Directors is included on page 23.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group. None of the developments are relevant to the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT INFORMATION

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 period are generated in the PRC and all significant operating assets of the Group are located in the PRC.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

5 TURNOVER

Turnover mainly represents the direct sales, commission from concessionaire sales rental income and income from reversal of long-aged pre-paid cards. The amount of each significant category of revenue recognised is as follows:

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Direct sales		574,345	571,772
Commission from concessionaire sales		89,905	98,746
Rental income	(i)	22,833	22,076
Income from reversal of long-aged pre-paid cards	(ii)	–	21,251
		687,083	713,845

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sublease rental income	19,593	18,249
Contingent rental income	3,240	3,827
	22,833	22,076

(ii) This represents the reversal of long-aged prepaid gift cards which the directors considered the likelihood of redemption was remote.

Notes to the Unaudited Interim Financial Report
for the six months ended 30 June 2012
(Expressed in Renminbi unless otherwise indicated)

6 OTHER OPERATING REVENUE AND OTHER NET (LOSS)/ INCOME

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000
Other operating revenue		
Advertisement and promotion income	37,041	64,208
Credit card handling income	11,508	10,271
Others	179	684
	48,728	75,163
Other net (loss)/income		
Net loss on disposal of property, plant and equipment	(38)	(23)
Impairment loss on a property in Shanwei (see note 10(b))	(10,000)	–
Others	(356)	724
	(10,394)	701

7 (LOSS)/PROFIT BEFORE TAX

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

(a) Net finance income

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000
Interest income	(12,654)	(11,745)
Finance income	(12,654)	(11,745)
Interest expense	1,232	764
Finance costs	1,232	764
Net finance income	(11,422)	(10,981)

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

7 (LOSS)/PROFIT BEFORE TAX (CONTINUED)

(b) Personnel costs

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Wages, salaries, and other benefits	80,795	56,040
Contribution to defined contribution plans	6,533	2,487
	87,328	58,527

Personnel costs include directors' remuneration.

(c) Other items

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Purchases net of changes in inventories	488,278	488,687
Depreciation and amortisation	24,739	18,759
Operating lease rental expense	81,027	59,519

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX EXPENSE

Income tax expense in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax expense		
Provision for the period	11,594	34,934
Deferred tax expense		
Origination and reversal of temporary differences	(1,796)	(4,531)
	9,798	30,403

(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 incorporated in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) The applicable income tax rate for PRC subsidiaries for the period ended 30 June 2012 is 25% (2011: 24% to 25%).

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

9 EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the consolidated loss attributable to equity shareholders of the Company for the period of RMB13,839,000 (consolidated profit for six months ended 30 June 2011: RMB94,891,000) and the weighted average number of RMB2,495,000,000 (six months ended 30 June 2011: RMB2,500,000,000) shares in issue during the interim period.

(b) Diluted (losses)/earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2012 and 2011, and therefore, the basic and diluted (losses)/earnings per share are the same.

10 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2012, the Group acquired items of property and equipment with costs of RMB97,821,000 in total (six months ended 30 June 2011: RMB8,449,000). Items of equipment with a net book value of RMB161,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB340,000), resulting a loss on disposal of RMB38,000 (six months ended 30 June 2011: RMB23,000).

(b) Impairment losses

On 21 March 2012, the Group has purchased a two-storey commercial property located in Luhe County, Shanwei Province, from a property developer for purchase price of RMB53,266,000. In accordance with the valuation carried out by a qualified valuer, the market value of the property in Shanwei at 31 March 2012 was RMB43,000,000. The directors of the Company consider that the market value of the property in Shanwei at 30 June 2012 has no significant difference with that at 31 March 2012. Provision of impairment loss of RMB10,000,000 was recognised during the six months ended 30 June 2012 and included in other net (loss)/income (see note 6).

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

11 INVENTORIES

No inventory write-downs was recognised during the six months period ended 30 June 2012 and 30 June 2011.

12 TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade receivables	(a)	20,576	18,037
Lease deposits		31,320	34,626
Interest receivables		5,717	9,385
Other receivables	(c)	18,178	10,463
Prepaid rental		1,183	13,392
Prepayments and deposits	(b)	102,964	480,330
Amounts due from related parties (note 16(b))		2,297	1,536
		182,235	567,769

All of the trade and other receivables, apart from deposits for lease of premises with a carrying amount of RMB31,320,000 as at 30 June 2012 (30 June 2011: RMB34,626,000), are expected to be recovered or recognised as expenses or assets within one year.

(a) Retail sales to individual consumers are usually settled in cash, by debit card or by 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 records.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within three month	18,636	17,562
Over three months but within one year	1,940	475
	20,576	18,037

(b) Breakdown of prepayments and deposits of the Group is as follows:

	Note	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000
Prepayments for decoration	(i)	27,388	88,896
Prepayments for acquisition of a distribution centre	(ii)	–	41,250
Prepayments for acquisition of a property in Shenzhen	(iii)	–	131,250
Prepayments for acquisition of a property in Haifeng	(iv)	95,000	84,000
Prepayments to third parties/ suppliers	(v)	12,576	166,934
		134,964	512,330
Provision of impairment loss on prepayments for acquisition of a property in Haifeng	(iv)	(32,000)	(32,000)
Total		102,964	480,330

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Breakdown of prepayments and deposits of the Group is as follows: (continued)

(i) The balance as of 30 June 2012 represents prepayments for decoration for new department stores to be opened. The balance as of 31 December 2011 included payments of RMB55.3 million made to two decoration companies as prepayments for the decoration work of two department stores of the Group. The prepayments represent 70% of the contract amount of the decoration work. The contracts for the decoration work were terminated by mutual agreement between the parties and the prepayments of RMB55.3 million were refunded from the respective decoration companies in March 2012 and April 2012 because of the delay in delivery/ acquisition of properties of two department stores and the implementation of the new contract selection procedures.

(ii) The balance as of 31 December 2011 represents a prepayment for purchase of a distribution centre from a developer. As the Directors have assessed the risk involved in the non-delivery of the distribution centre and a more suitable alterative had been provided to the Board, the Board decided to terminate the relevant non-binding letter of intent for purchase of the distribution centre and the prepayment of RMB41.25 million was refunded from the developer in March 2012. No construction work has been commenced.

(iii) The balance as of 31 December 2011 represents a prepayment for purchase from the developer of a three-storey commercial property located in Shenzhen. The prepayments represent 50.0% of the consideration under the sale and purchase agreement. The contract for purchasing the three-storey commercial property was terminated by mutual agreement between the parties due to increased costs for modifications of internal structural designs according to the Group's requirements, and the prepayment of RMB131.25 million was refunded by the developer in March 2012.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Breakdown of prepayments and deposits of the Group is as follows: (continued)

(iv) The balance as of 30 June 2012 and 31 December 2011 represents a prepayment for purchase of a property located in Haifeng from a developer, Haifeng Wanye Property Development Co., Ltd. ("**Haifeng Wanye**"). In accordance with the sale and purchase agreement signed between Haifeng Wanye and the Company dated 28 December 2011 ("Haifeng Sale and Purchase Agreement"), the consideration for the property is RMB168.0 million.

After signing the Haifeng Sale and Purchase Agreement, Shanwei Shirble Department Store Company Limited ("Shanwei Shirble") and Haifeng Wanye negotiated and agreed to reduce the amount of the first instalment from RMB89.0 million to RMB84.0 million. The Haifeng Sale and Purchase Agreement does not provide for the specific terms for adjustments to the amount of the first instalment. In the circumstances, the payment of RMB84.0 million was settled by the Group, of which RMB16.0 million was paid to Haifeng Wanye in the PRC and the remaining balance of RMB68.0 million was paid by the Company in Hong Kong to three individuals and one company in their respective bank accounts in Hong Kong in accordance with the instructions of Haifeng Wanye during the year ended 31 December 2011. The payment arrangement was made in accordance with the Haifeng Sale and Purchase Agreement, the terms of which has been approved by the Board. The Directors confirm that the payments made to Haifeng Wanye's nominated persons were made in strict compliance with the Haifeng Sales and Purchase Agreement, and upon the request made by Haifeng Wanye.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Breakdown of prepayments and deposits of the Group is as follows: (continued)

(iv) (continued)

On 1 April 2012, the Group made a further payment of RMB79.0 million (which includes RMB11.0 million as partial settlement of 2nd installment and RMB68.0 million, being the same amount originally paid in offshore) to Haifeng Wanye in the PRC, and Haifeng Wanye refunded RMB68.0 million to the Group through the three offshore individuals and one offshore company during the period from 11 April 2012 to 13 April 2012. In July 2012, the Group made a further payment of RMB68.0 million to Haifeng Wanye. Up to the date of these financial statements, net payments of RMB163.0 million has been made by the Group to Haifeng Wanye for the acquisition of the property located in Haifeng. Pursuant to the Haifeng Sale and Purchase Agreement, the remaining balance of RMB5.0 million is expected to be made when the building ownership certificate is issued.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Breakdown of prepayments and deposits of the Group is as follows: (continued)

(iv) (continued)

The consideration for the property stated in the form submitted to the government authorities on 22 March 2012 was RMB100.0 million which is RMB68.0 million less than the consideration set forth in the Haifeng Sale and Purchase Agreement. The Directors were told by Haifeng Wanye that the arrangements were intended to be made for Haifeng Wanye's tax consideration purpose. Because the arrangements did not expose the Group to any additional payment obligation, the Group followed the requests made by Haifeng Wanye. At that time, the Group sought verbal legal advice from its PRC legal advisers and was advised that the consideration for the property registered with the government authorities should be the same as the consideration stipulated in the Haifeng Sale and Purchase Agreement. The PRC legal advisers also advised that there would be no legal or tax consequence for the Group if, upon full payment of the consideration of RMB168.0 million by the Group to Haifeng Wanye, all the subsequent documents to be submitted to local government authorities and the related certificates to be issued, would reflect the total amount of consideration of RMB168.0 million. Upon settlement of RMB163.0 million, the online registration documents which reflect a total consideration of RMB168.0 million was re-submitted on 1 August 2012. Pursuant to the Haifeng Sale and Purchase Agreement, the remaining balance of RMB5.0 million is expected to be made when the building ownership certificate is issued.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Breakdown of prepayments and deposits of the Group is as follows: (continued)

(iv) (continued)

Prior to entering into the transaction, the Board has appointed an independent property valuer, Property Valuer A, to conduct a valuation of the property in Haifeng County. According to the valuation report prepared by Property Valuer A, the valuation of the property in Haifeng County as of 30 November 2011 was RMB170.0 million. The Directors understand that the valuation method used in the report prepared by Property Valuer A is by comparing the market value or the estimated amount for which a property should exchange in an arm's-length transaction of other properties in the surrounding area of the property in Haifeng County. Hence, the valuation is essentially based on a comparison of the comparable properties considered to be appropriate by Property Valuer A.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Breakdown of prepayments and deposits of the Group is as follows: (continued)

(iv) (continued)

During the course of the audit of the consolidated financial statements for the year ended 31 December 2011, the Auditors requested the appointment of another property valuer for a second opinion on the value of the property in Haifeng County. In order to support and expedite the process, the Directors appointed Property Valuer B on 3 April 2012. Property Valuer B, among a few other independent property valuers, was introduced to the Company through the auditors. The valuation report of Property Valuer B was provided on 25 May 2012 and stated that the valuation as of 31 December 2011 was RMB136.0 million. Based on the valuation report by Property Valuer B, the difference of RMB32.0 million was recognised as an impairment loss on prepayments for acquisition of the property in Haifeng County during the year ended 31 December 2011. The Directors understand that the valuation method used in the report prepared by Property Valuer B is by comparing the market value or the estimated amount for which a property should exchange in an arm's-length transaction of other similar properties in Guangdong (including Haifeng County, Foshan City and Tianhe District) – an area which is much larger than the area selected by Property Valuer A.

The Company will continue to proceed with the Haifeng Sale and Purchase Agreement. In accordance with the valuation report of Property Valuer B dated 16 January 2013, the market value of the property in Haifeng County was RMB138 million at 30 June 2012.

(v) The balance as of 30 June 2012 represents prepayments made to supplies. The balance as of 31 December 2011 included payments of RMB152.5 million made to three entities as prepayments for purchase of goods at 31 December 2011. Additional RMB110 million prepayments were made by the Group to two of these three entities in January 2012. All of these prepayments were refunded from these three entities in March 2012.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Breakdown of other receivables is as follows:

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Other receivables		28,178	20,463
Provision for tendering deposits	(i)	(10,000)	(10,000)
		18,178	10,463

(i) In December 2011, the Group paid RMB10.0 million as a deposit for the tendering of a project in Dongguan, PRC to the local government. The Group's tender has been accepted by the local government, but details of the terms of the agreement is still under negotiation and formal agreement is yet to be entered into. In view of the uncertainty of the project, a provision was made as at 31 December 2011.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

13 CASH AND CASH EQUIVALENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Fixed deposits with banks	230,494	350,000
Cash at banks and on hand	1,329,527	953,303
	1,560,021	1,303,303

14 TRADE AND OTHER PAYABLES

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Advance received from customers		353,518	413,903
Trade payables	(i)	370,911	347,448
Rental payables		113,227	102,553
Other taxes payables		34,209	53,668
Deferred income		29,607	31,665
Accrued wages and salaries		9,234	15,650
Advances from third parties	(ii)	27,130	69,637
Other payables and accruals		79,515	67,098
Amounts due to related parties (note 16(b))	(iii)	3,583	2,959
		1,020,934	1,104,581

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER PAYABLES (CONTINUED)

(i) An ageing analysis of trade payables of the Group is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within three months	267,009	254,333
Over three months but within one year	72,817	63,356
Over one year	31,085	29,759
	370,911	347,448

(ii) As of 31 December 2011, RMB69.6 million were received by the Group from its suppliers. As of the date of this interim financial report, RMB63.6 million out of the amount received was recorded as having been returned to the suppliers.

(iii) Amounts due to related parties at 31 December 2011 and 30 June 2012 are unsecured, interest-free and repayable on demand.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

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

	Authorised		Issued and fully paid	
	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 2011/ 30 June 2011	15,000,000	1,500,000	2,500,000	250,000
Cancellation of repurchased share	–	–	(5,000)	(500)
At 31 December 2011/ 30 June 2012	15,000,000	1,500,000	2,495,000	249,500
RMB equivalent ('000)		1,276,350		213,908

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Share capital (continued)

Purchase of own shares

In 2011, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

Date/Month/Year	Number of share repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000
09 September 2011	300,000	1.16	1.14	345
12 September 2011	338,000	1.12	1.05	364
14 September 2011	572,000	1.08	1.02	599
15 September 2011	264,000	1.09	1.04	281
16 September 2011	540,000	1.12	1.06	588
19 September 2011	344,000	1.08	1.02	359
20 September 2011	858,000	1.02	0.97	844
21 September 2011	724,000	1.04	0.93	720
22 September 2011	1,060,000	1.00	0.94	1,030
	5,000,000			5,130
		RMB equivalent ('000)		4,215

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB410,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB3,805,000 was charged to retained earnings.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) 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.

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for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Reserves (continued)

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Dividends

(i) The directors do not recommend the distribution of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB33,250,000 or RMB1.33 cents per share). The interim dividend for the six months ended 30 June 2011 has not been recognised as a liability at 30 June 2011.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Dividends (continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period (2011: RMB0.41 cents per share)	–	10,250
Final dividend in respect of previous financial year proposed after interim period of RMB0.62 cents per share (2011: Nil)	15,469	–
Special dividend proposed after interim period of RMB2.21 cents per share (2011: Nil)	55,139	–
	70,608	–

Final dividend in respect of previous financial year and special dividend proposed after interim period have not been recognised as liabilities at balance sheet date.

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for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

16 RELATED PARTY TRANSACTIONS

During the six months period ended 30 June 2012, the directors are of the view that related parties of the Group include the following individuals/companies:

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
Shirble Group (Shenzhen) Property Development Co., Ltd. ("**Shirble Property**")	Controlled by Mr. YANG Xiangbo, one of the Controlling Shareholders
Ms ZHU Bihui	Mr. YANG Xiangbo's niece
Shenzhen Tangming Logistic Co., Ltd. ("**Tangming**")	Wholly-owned by Ms ZHU Bihui, who is one of the equity interest holders of RuiZhuo Investment

Notes to the Unaudited Interim Financial Report
for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

16 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Recurring transactions:		
Rental fee paid to		
Ruizhuo Investment	276	728
Shenzhen Guozhan	4,788	4,119
Shirble Inn	312	99
	5,376	4,946

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.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Non-recurring transactions:		
Advances to		
Tangming	6,000	–
Repayment of advance from		
Tangming	(6,000)	–

Notes to the Unaudited Interim Financial Report
for the six months ended 30 June 2012
(Expressed in Renminbi unless otherwise indicated)

16 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Amounts due to		
Ruizhuo Investment	1,564	1,132
Shirble Property Management	260	260
Mr. YANG Xiangbo	1,576	1,567
Shirble Inn	183	–
	3,583	2,959
Amounts due from		
Shenzhen Guozhan	2,297	1,536

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

17 CAPITAL COMMITMENT

Acquisition and construction of property, plant and equipment

Capital commitments outstanding at the financial period/year end not provided for in the interim financial report were as follows:

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	(i)	101,122	267,434
Authorised but not contracted for	(ii)	27,872	221,276
		128,994	488,710

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for the six months ended 30 June 2012

(Expressed in Renminbi unless otherwise indicated)

17 CAPITAL COMMITMENT (CONTINUED)

Acquisition and construction of property, plant and equipment (continued)

(i) Capital commitment of RMB123.75 million included in balance as of 31 December 2011 relates to purchase of a distribution centre, which was cancelled in March 2012 (see note 12(b)(ii)).

(ii) Capital commitment of RMB154.95 million included in balance as of 31 December 2011 relates to contracts terminated subsequent to financial year:

- Contracts related to capital commitment of RMB23.7 million for decoration work for two stores were terminated in March 2012 and April 2012 (see note 12(b)(i)).

- Contracts related to capital commitment of RMB131.25 million for purchase a property in Shenzhen were terminated in March 2012 (see note 12(b)(iii)).

18 POST BALANCE SHEET EVENTS

(a) After the end of the reporting period, the Board of Directors proposed dividend for the year ended 31 December 2011. For further details, please refer to note 15(c).

(b) On 15 October 2012, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of a property (the **"Lufeng Property"**) on a parcel of land located in Hongxing District, Donghai Town, Lufeng city, PRC at a consideration of RMB206,846,080. The consideration was determined on an arm's length basis following negotiations between the Group and the vendor with reference to the market value of the Lufeng Property as of 30 September 2012 appraised by an independent property valuer. The purchase price will be settled out of the internal financial resources of the Group. The Lufeng Property will be used by the Group as a new department store. At the date of this report, the Lufeng Property is still under construction and prepayment of RMB144.8 million has been made. The Directors expect the completion date is not later than December 2013. Details of the Lufeng Property are set forth in the announcement (the **"Lufeng Acquisition Announcement"**) dated 15 October 2012.

Other Information

CORPORATE GOVERNANCE PRACTICES

The Company 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 Practice (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**").

In accordance with Code Provision A.2.1 of Appendix 14 to the Listing Rules, the roles of the Chairman and the Chief Executive Officer should be seperate and should not be performed by the same individual. Mr. YANG Xiangbo, Chairman of the Board had become the acting Chief Executive Officer since the retirement of Madam YANG Xiaomei, the ex-Chief Executive Officer on 17 November 2011.

In the opinion of the Directors, save and except for the roles of Chairman and Chief Executive Officer was not separate and was performed by the same individual, Mr. YANG Xiangbo, during the period from 17 November 2011 to 30 June 2012, the Company complied with the Code during the six months ended 30 June 2012. The Group appointed an executive Director and Chief Executive Officer on 31 December 2012.

In view of the qualified opinion of KPMG set forth in the annual report of the Company for the year ended 31 December 2011 and the internal control weaknesses identified, the Group appointed Moore Stephens Hong Kong ("**Moore Stephens**") to advise on the Group's internal control procedures. Moore Stephens have provided to the Group and the Audit Committee a list of internal control improvement measures in response to internal control weaknesses identified. The Group has implemented the following internal control procedures: (i) establishment of internal audit department and legal department; (ii) appointment of additional independent non-executive Director; (iii) recruitment of new management teams and chief executive officer and executive Director; (iv) standardisation of transaction approval procedures; (v) establishment of formal tendering procedures; (vi) standardisation of property transactions procedures; (vii) establishment of cash management policy; (viii) establishment of prepayment approval procedures and enhancement of payment approval procedures; (ix) update of enterprise resources management system; (x) possible notifiable transactions approval procedures; (xi) appointment of retainer financial advisers; and (xii) continuous training provided to Directors. For details, please refer to the 2011 Results Announcement.

Other Information

The implementation of the internal control measures will be monitored by the internal audit department and the chief executive officer of the Group. The Group has engaged an independent internal control adviser to conduct review on the Group's internal control. The independent internal control adviser will submit a written report around March 2013 on the Group's internal control measures. The review by the independent internal control adviser will include an assessment on the overall sufficiency of the Group's internal control procedures. The internal audit department and the new independent non-executive Director will periodically report their review and findings on the Group's internal controls to the Audit Committee of the Board.

The Company will announce the results of the internal control review conducted by the independent internal control adviser around March 2013. In the future, the Group will continue to engage independent internal control advisers to conduct periodic reviews, the results of which will be published in the Company's interim and annual reports accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that all of the Directors have complied with the Model Code during the six months ended 30 June 2012.

AUDIT COMMITTEE

As of the date of this report, the Audit Committee comprises of three Independent non-executive Directors, namely, Ms. ZHAO Jinlin, Mr. CHEN Fengliang and Mr. JIANG Hongkai. The Audit Committee has been established to review and supervise the financial reporting process and internal control procedures of the Group, and has held meetings to discuss the auditing, internal controls and financial reporting matters of the Company, including the review and discussion with external auditor and management in relation to the Group's interim results for the six months ended 30 June 2012.

Other Information

INTERIM DIVIDEND

In view of the loss incurred for the six months ended 30 June 2012 and the working capital requirements for the business expansion of the Group, the Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: RMB1.33 cents per Share).

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

As at 30 June 2012, the interests of the directors of the Company 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 out in 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	66.6%

Notes:

(1) Mr. YANG is the beneficial owner of all the issued share capital of Xiang Rong Investment Limited ("**Xiang Rong Investment**") which is being the Company's substantial Shareholders, 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.

Other Information

(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%

Save as disclosed above, as at 30 June 2012, 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 six months ended 30 June 2011.

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

As at 30 June 2012, 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 as recorded in the register required to be kept under Section 336 of the SFO.

Other Information

Long position in the shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Shirble BVI	Beneficial owner	1,662,487,500	66.6%
Xiang Rong Investment	Interest in a controlled corporation	1,662,487,500	66.6%

Save as disclosed above, as at 30 June 2012, the Directors are not aware of any person who had any interests or short positions in Shares or, underlying Shares as recorded in the register required to be kept under sector 336 of the SFO.

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. The purpose of the Scheme is to recognise and acknowledge the contributions that the Group's Directors and employees, customers, suppliers, agents, business or joint venture partners, consultants, distributors, promoters, service providers, advisors or contractors to any member of the Group 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 Scheme. A consideration of HK$1.0 will be payable upon acceptance of the offer. The Scheme will remain in force until 29 October 2020. Details of the Scheme were disclosed in the Company's Prospectus.

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

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 six months ended 30 June 2012.

Corporate Information

DIRECTORS

Executive Directors:
Yang Xiangbo
Li Kuansen

Independent Non-executive Directors:
Zhao Jinlin
Chen Fengliang
Jiang Hongkai

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COMPANY SECRETARY

Chan Chore Man, Germaine, CPA

AUTHORISED REPRESENTATIVES

Yang Xiangbo
Chan Chore Man, Germaine, CPA

AUDIT COMMITTEE OF THE BOARD

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)*
Zhao Jinlin
Yang Xiangbo

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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(Cayman) Limited
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Corporate Information

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PRINCIPAL BANKERS

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Agricultural Bank of China
Industrial and Commercial Bank of China
Shenzhen Development Bank
China Construction Bank
Bank of Shanghai

In Hong Kong
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