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

Annual Report

2014

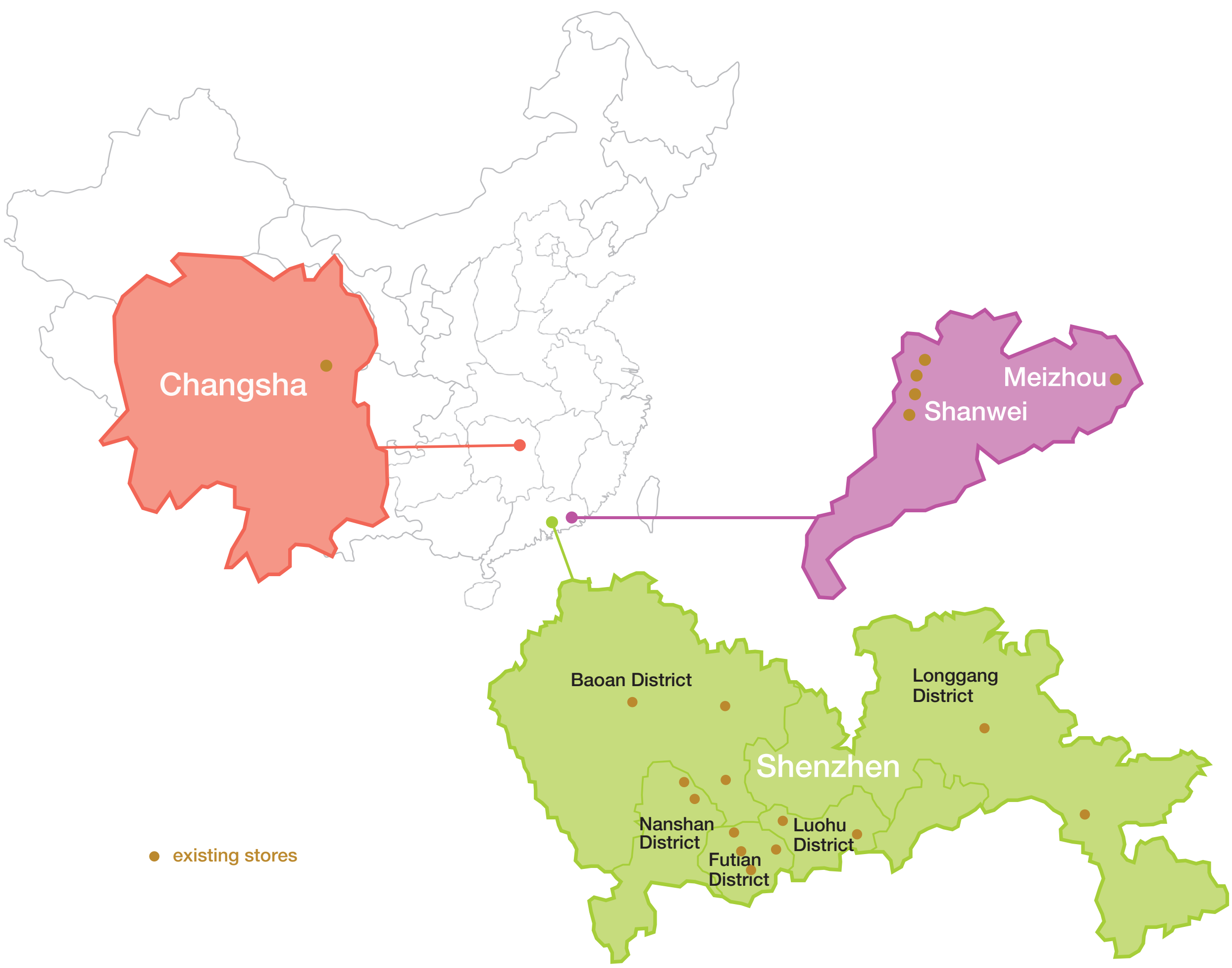
CONTENTS

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 31 December 2014, the Group owned and operated 19 department stores, 13 of which are within Shenzhen, four in Shanwei (a coastal city in the eastern Guangdong Province), one in Meizhou City (Guangdong Province) and one in Changsha (the capital city of Hunan Province), with a total gross floor area ("**GFA**") of 338,720.1 sq.m. Most of the Group's stores have similar exterior and interior designs including layouts, 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 daily consumer products, household necessities, footwear, textiles, apparel, cosmetics, children's and households' goods and electrical appliances, 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 environment. This market position enables the Group to capture high growth potential in the PRC retail sector.



FINANCIAL HIGHLIGHTS

Operating Results

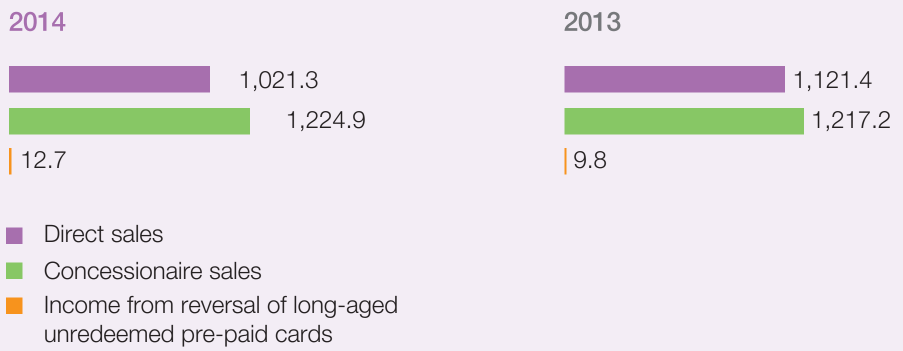
RMB'000	2014	2013	2012	2011	2010
	Year ended 31 December				
Revenue	1,268,733	1,356,502	1,372,030	1,433,586	1,279,619
Operating profit/(loss)	24,773	(242,305)	(47,330)	95,043	260,966
Profit/(loss) before income tax	48,483	(217,191)	(22,675)	114,999	267,466
Profit/(loss) attributable to owners of the Company	32,774	(219,515)	(45,779)	71,632	200,082
Earnings/(loss) per share for the profit/(loss) attributable to owners of the Company during the year (expressed in RMB per share)					
– Basic and diluted	0.01	(0.09)	(0.02)	0.03	0.10

Assets, Liabilities and Equity

RMB'000	2014	2013	2012	2011	2010
	At 31 December				
Total assets	2,492,924	2,526,946	2,940,617	2,939,650	2,457,413
Total liabilities	1,232,286	1,307,477	1,501,831	1,384,481	926,369
Total equity	1,260,638	1,219,469	1,438,786	1,555,169	1,531,044

Gross sales proceeds – By Category

RMB (million)

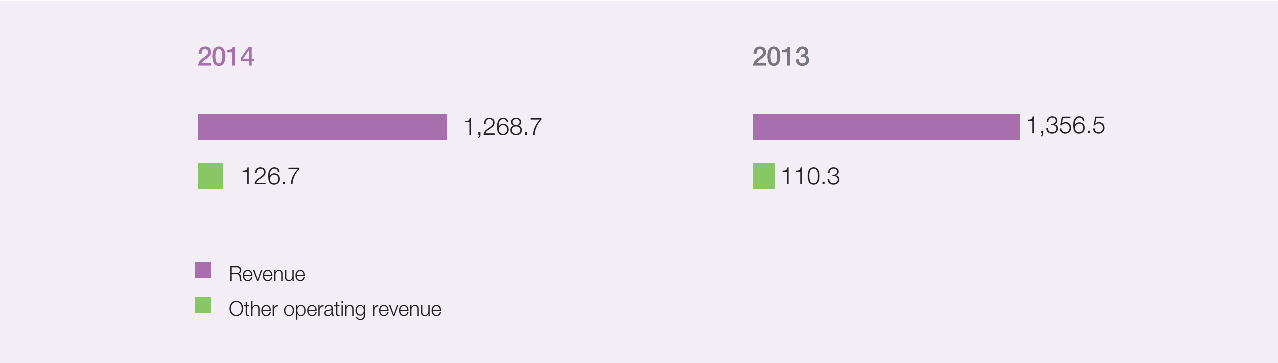


Gross sales proceeds – By Product Category

FINANCIAL HIGHLIGHTS

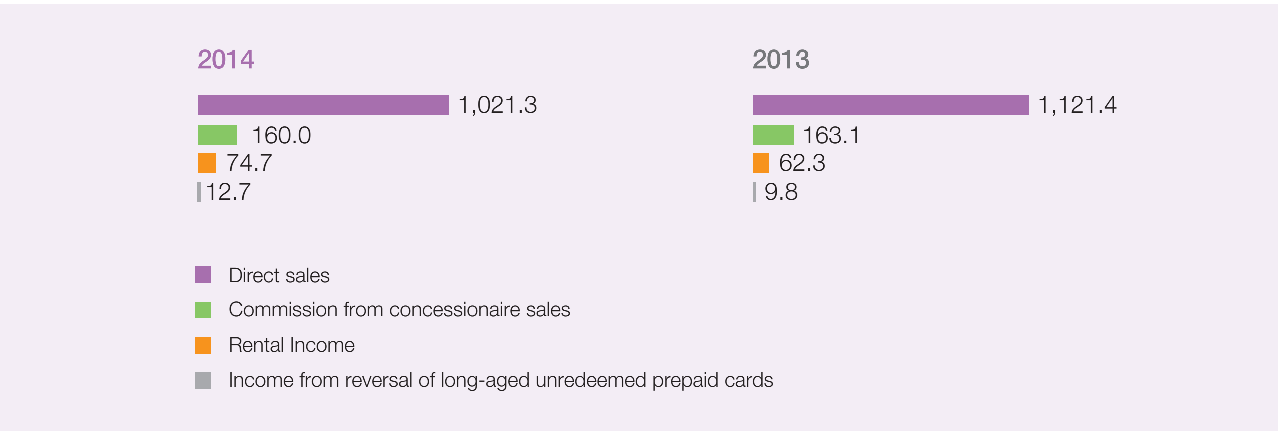
Revenue and Other Operating Revenue

RMB (million)



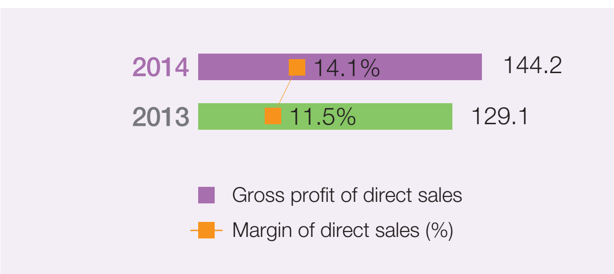
Revenue by Category

RMB (million)



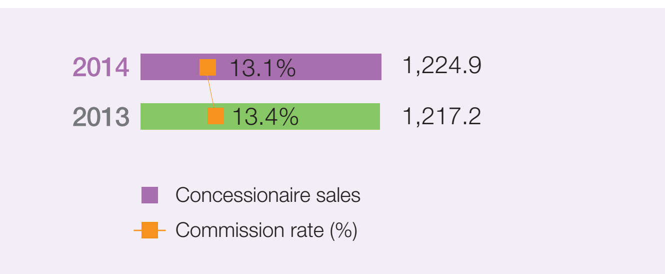
Gross Profit and Margin of Direct Sales

RMB (million)



Concessionaire Sales and Commissions as a Percentage of Concessionaire Sales

RMB (million)



CHAIRMAN'S STATEMENT

Market Review

According to the Ministry of Commerce of the PRC, China has become the second largest retail industry of the world after rapid growth in previous years. After years of rapid growth, a slowdown in the growth rate of the retail sales of consumer goods is expected in the coming years and no significant consumption stimulus policies was announced by the PRC government recently. However, the moderately increasing consumption demand still provides opportunities for retailers to expand their business in China, with promising trends emerging in second- or third-tier cities as the first-tier cities are reaching saturation amidst fierce competition.

Moreover, the consumption demand and shopping preference in the domestic PRC retail market are generally evolving. Customers in second- and third-tier cities are becoming increasingly in demand for branded retailers to provide quality goods and services. Also, online markets have provided a wider and easier platform for customers to shop, and hence, retailers have been placing more effort on product quality improvement and assurance, as well as the opening of different sales channels.

Business Review

With the appointment of the new senior management in September 2013 and the implementation of effective strategic and operational restructuring measures resulting in the improvement of the performance of its department stores, in particular, the performance of the department stores opened by Group during the last two years, the Group witnessed a significant improvement in profitability in 2014. For the year ended 31 December 2014, the profit attributable to the shareholders of the Company (the "**Shareholders**") was RMB32.8 million, a turnaround from the net loss of RMB219.5 million for the corresponding period in 2013.

Strategic enhancement of store network and store business model

In 2014, the Group has maintained its two-pronged strategy to bolster its competitiveness in the retail market. While maintaining Shenzhen as the foundation and focus of the Group, the Group has continued to strengthen its market presence in developing suburbs of Shenzhen and other second- and third-tier cities in the Guangdong Province with high growth potential.

In order to significantly reduce the operating loss incurred in 2013, the director of the Company (the "**Directors**") have also decided to restructure the store network in new markets. The stores in Dongguan, which experienced the most challenging operating market had sustained operating losses with insignificant revenue contributions. Hence, the Group ceased the operations of two department stores in Dongguan at the end of December 2013, and sub-leased and terminated the lease of the remaining two department stores in the same area in April 2014 and August 2014, respectively.

In respect of the department stores in other areas, the Group has effectively implemented a business development strategy to boost the performance of the new department stores opened in 2012 and 2013. Leveraging its experience in tapping the market of Shanwei in the Guangdong Province back in 2012, the Group decided to further increase its market presence there by opening its fourth department store in the area. Lufeng store, located in a six-storey commercial property owned by the Group in Lufeng District in Shanwei with a GFA of 25,855.8 sq.m., was opened in September 2014. Being a new business model trial-run which captures the essentials of a shopping mall, over half of the total area of the Lufeng Store is allocated for ancillary facilities such as cinemas, children playground, coffee shops and restaurants. In particular, one of the floors within Lufeng Store with GFA of 4,095.98 sq.m. was subleased to a connected person of the Company for the operation of a Chinese restaurant, which is one of the biggest Chinese restaurants in the area offering a place for large-scale banquets. In addition, to further optimise the operational efficiency and enhance shopping experience, the Group has decided to relocate Minxing Store, the only store in Shenzhen exclusively providing department store functions with a GFA of 7,920.1 sq.m., to premises elsewhere in Shenzhen. It is expected that it will re-open by 2016. The relocation resulted in an one-off relocation compensation in the amount of RMB12.31 million in the first half of 2014.

CHAIRMAN'S STATEMENT

The store network restructuring and business model enhancement has successfully enhanced the Group's profitability, contributing in part to the Group's turnaround in 2014. In light of the improving performance of the Group in 2014, the Directors are confident about the business strategies implemented by the Group and also the growth prospects of the Group, and will continue to execute the expansion plan in a prudent manner.

As of 31 December 2014, the Group operated 19 department stores, with a total GFA of 338,720.1 sq.m., representing a slight increase of 0.1% in the total GFA when compared with a total of 21 department stores and a total GFA of 338,382.2 sq.m. as of 31 December 2013.

Direct sourcing and development of self-owned brands

The Group has been constantly reviewing and optimizing its merchandise mix in order to fulfill the different demands and tastes of different customers, especially those in new markets in lower-tier cities where the Group is focusing on the promotion of premium local branded products. In 2014, in order to differentiate its products from those offered by its competitors, as well as to enhance its direct sales margin, the Group has increased the proportion of direct sourcing for fresh food as well as imported and new products, and has furthermore commenced promoting its self-developed products and self-owned brand. More healthy food products and European products are introduced, and direct sourcing of more foreign-brands are currently under negotiation.

In October 2014, the Group has recruited a team of experienced bakers to operate bakery shops at selected stores. The first self-operated bakery shop was opened in the Wanxiang store at the beginning of 2015, and will be introduced at other stores later. The Group is also exploring other products for the development and diversification of its self-owned brands. Currently, the self-owned brand products of the Group include mainly non-food daily necessities and consumables such as toiletries, tissues, plastic wraps, broomsticks, etc.

Enhancement of information technology system

The Group's information and technology system is now fully operational and productivity enhancement including financial analysis modules, logistics and point-of-sale management operations functions have been implemented. Together with the improvement of internal control procedures, overall operational and management efficiency have been strengthened. The Group has also begun trial operation of an office automation system to bolster efficiency and corporate governance.

Corporate initiatives to enhance efficiency and performance

The Group has initiated a series of measures to maintain its sustainable development in human resources management. On top of staff professional training and management trainee programmes, internal control procedures and a profit sharing scheme have also been implemented to improve customer service and enhance management and employee productivity as well as to deliver an overall better performance. In January 2014, the Group has adopted an employees' share award scheme, intending to retain high calibre and loyal employees. In the second half of 2014, the key performance indicators evaluation scheme has also been introduced to boost employee's performance, resulting in a significant improvement in the Group's profitability.

Business Outlook

In view of the fiercely competitive retail environment and the gradual recovery of the Group's profitability, the Directors believes that a cautious expansion plan with a slight shift of focus from store expansion to strengthening of its procurement and layout utilization will help the Group to maintain its market competitiveness.

Restructuring of store layout plan with more attractions

The Group aims at delivering an enhanced and more convenient shopping experience to customers whilst optimally utilizing the current store area. In the past two years, the Group has introduced new sections such as children's playgrounds, bakery shops, restaurants and cinemas within certain store premises (especially at new stores where a higher proportion of store area is dedicated to ancillary facilities) and has successfully increased customer flow in those stores.

In December 2014 and March 2015, in view of the rapid change and development of the surrounding areas, the Group entered into one agreement for the Hongbao store and two agreements for the Hongling store in Shenzhen, which are one of the oldest stores within the Group's store portfolio, respectively. Certain floors inside these stores will be sub-leased/leased to three third parties independent of and not connected with the Company or any of its connected persons, for the opening of two boutique hotels and one business office. Due to the infrastructural limitations of the two stores and the current low sales generated from local concessionaire counters on those floors, the Directors believe that those floors could be better utilized through the sub-lease/lease and the subsequent relocation of product sections whilst increasing both rental income and customer flow at those two stores.

The Group will continue to periodically evaluate the introduction of new or additional sections in order to provide a wider range of activities to attract shoppers, as well as to explore the opportunity to sub-lease store areas with low turnover to enhance store profitability.

Strategic alliances with suppliers and vertical integration

In order to differentiate its products from those of its competitors through offering greater variety, as well as to reduce procurement costs and improve direct sales margin, the Group has undergone a thorough review and restructuring of its supply chain management. From a high reliance on dealers and concessionaires, the Group has strived to increase a much higher proportion of direct sourcing for fresh food as well as for imported and new products from ultimate suppliers and manufacturers. The Group has also successfully secured more business partners to achieve a stable supply of high quality products during 2014.

The Group is in negotiation with an organic farmhouse for the provision of high quality organic fresh fruit and vegetables free from farm chemicals at competitive prices. The Group is also in discussion with leading overseas suppliers to secure high quality imported products such as cooking oil and foodstuff at lower prices. The Directors are optimistic about the demand for such healthy and organic food products in the PRC as a result of the increasing concern over food safety in the PRC.

CHAIRMAN'S STATEMENT

Development of e-commerce business

In view of the popularity of e-commerce business, the Group has been conducting feasibility studies and budget planning, and has begun a trial-run of the sales and marketing channel via the O2O and WeChat platforms in December 2014. Several types of grocery products have been launched for sale, with delivery areas covering the Guangdong Province. Along with the enhancement of the Group's information system support and logistics arrangement, as well as quality control measures, more products that are currently available for sale at the Group's physical stores are expected to be rolled out for sale through online platform in stages. Online sales are also being explored with the aim to expand the sales channel of the Group's e-commerce business.

Prudent expansion and improved utilisation of store network

The Group will continue to implement its two-pronged strategy of further enhancing its market presence in Shenzhen and exploring opportunities in third-tier or lower tier cities in the Guangdong Province that are undergoing rapid urbanisation.

Depending on market sentiment and the performance of the other new department stores, new department stores in a five-storey building at Nankang, Longhua New District with a GFA of 28,000.0 sq.m. and in a three-storey building and its basement at Yitian, Futian District with a GFA of 17,500.0 sq.m. are expected to open in 2015 or 2016.

New business development and potential investment opportunities

In view of the improving market conditions and the financial resources currently available, the Group will continue to explore other new business and investment opportunities in the retail or other sectors. The Directors will focus on those business and investment opportunities that could provide synergies to the existing business of the Group.

Conclusion

On behalf of the board of Directors (the "**Board**"), I would like to take this opportunity to express my sincere gratitude to the management team and all colleagues for their commitment and diligence. Appreciation is also extended to the Group's partners and customers for their continuous support. I wish to further thank all of the shareholders and the investors of the Company for their utmost confidence in the Group that the business of the Group will continue to grow steadily.

YANG Xiangbo
Chairman

23 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Total gross sales proceeds

During the year ended 31 December 2014, the Group's total gross sales proceeds (representing the aggregate of the revenue from direct sales of the Group and total sales proceeds from concessionaire sales at the Group's department stores plus the reversal of deferred income in respect of long-aged unredeemed prepaid cards) were 2,258.9 million, representing a decrease of 3.8% from RMB2,348.4 million in 2013. The decrease in total gross sales proceeds was principally due to decrease in the sales from old stores in Shenzhen amid the intense competition and overall economic slowdown in tier one cities as well as the loss of sales contribution resulting from the closure/sub-leasing of department stores in Dongguan, Guangdong Province. The decrease in the total gross sales proceeds was partly mitigated by the increase in the sales from new department stores opened in 2012 and 2013.

Revenue generated from direct sales of the Group amounted to RMB1,021.3 million and the total sales proceeds from concessionaire sales amounted to RMB1,224.9 million, accounting for 45.2% and 54.2%, respectively, of the Group's total gross sales proceeds for the year ended 31 December 2014. For the year ended 31 December 2013, revenue from direct sales amounted to RMB1,121.4 million, while the total sales proceeds from concessionaires sales amounted to RMB1,217.2 million, accounted for 47.8% and 51.8% respectively of the Group's total gross sales proceeds.

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

	Year ended 31 December			
	2014 RMB' million	%	2013 RMB' million	%
Electronics and home appliances	251.3	11.1	260.1	11.1
Clothes, apparel and bedding	520.0	23.0	577.5	24.6
Children's goods	62.1	2.8	58.5	2.5
Sporting and stationery goods	81.3	3.6	55.7	2.4
Food and beverages	910.9	40.3	993.3	42.3
Daily necessities and cosmetic goods	420.6	18.6	393.5	16.7
Income from reversal of long-aged unredeemed pre-paid cards	12.7	0.6	9.8	0.4
	2,258.9	100.0	2,348.4	100.0

Revenue

Revenue of the Group amounted to RMB1,268.7 million for the year ended 31 December 2014, representing a decrease of 6.5% as compared with RMB1,356.5 million in 2013. The decrease was principally due to decrease in the direct sales in old stores amid intense competition and overall economic slowdown in tier one cities. The decrease was offset by the increase in rental income and income from reversal of long-aged unredeemed pre-paid cards.

Direct sales decreased by 8.9% to RMB1,021.3 million for the year ended 31 December 2014 from RMB1,121.4 million in 2013, principally due to the decrease in the sales from old stores in Shenzhen, mitigated by the increase in direct sales from the new stores opened in 2012 and 2013. Direct sales as a percentage of the Group's total revenue was 80.5% for the year ended 31 December 2014 as compared with 82.7% in 2013.

Commission from concessionaire sales decreased slightly by 1.9% to RMB160.0 million for the year ended 31 December 2014 from RMB163.1 million in 2013, mainly due to the relatively lower commission rate as a result of promotional activities at old stores amid intense competition. The commission rate of concessionaire sales was 13.1% as compared with 13.4% in 2013. Commission from concessionaire sales as a percentage of the Group's total revenue was 12.6% for the year ended 31 December 2014 as compared with 12.0 % in 2013.

Rental income increased by 19.9% to RMB74.7 million for the year ended 31 December 2014 from RMB62.3 million in 2013, mainly due to the strategic enhancement of store business model with a higher proportion of rental area in new stores for complementary facilities and restructuring of store layout plan in some selected old stores to increase the proportion of rental area. Rental income as a percentage of the Group's total revenue was 5.9% for the year ended 31 December 2014 as compared with 4.6% in 2013.

Income from reversal of long-aged unredeemed pre-paid cards increased by 29.6% to RMB12.7 million for the year ended 31 December 2014 from RMB9.8 million in 2013.

Other operating revenue

Other operating revenue increased by 14.9% to RMB126.7 million for the year ended 31 December 2014 from RMB110.3 million in 2013, mainly due to the increase in promotion, administration and management income and credit card handling fees for concessionaire sales.

Other gains/(losses), net

Other net gain amounted to RMB3.6 million for the year ended 31 December 2014 as compared with other net loss of RMB153.8 million in 2013, mainly due to the receipt of an one-off relocation compensation in total amount of RMB12.31 million from the landlord of the leased premises of Mingxing Store in the first half of 2014. The increase was offset by a further provision for penalty charge and loss on disposal of property, plant and equipment amounted to RMB8.1 million as a result of the closure of certain department stores in Dongguan, Guangdong Province, in 2013. Other net loss of RMB160.7 million was recognised in 2013 mainly due to impairment losses and related expenses recognised for those closed/under-performed stores in Dongguan, Guangdong Province.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB877.1 million for the year ended 31 December 2014, representing a decrease of 11.6% as compared with RMB992.3 million in 2013. As a percentage of revenue from direct sales, purchase of and changes in inventories was 85.9% for the year ended 31 December 2014 as compared with 88.5% in 2013.

Employee benefits

Employee benefits decreased by 6.1% to RMB178.5 million for the year ended 31 December 2014 from RMB190.0 million in 2013, primarily due to the restructuring of staff in old stores and head office as well as the closure and sub-leasing of certain department stores in Dongguan in 2013 and 2014, offset by the increase in headcounts for the three new stores opened in 2013 and 2014.

Depreciation and amortization

Depreciation and amortization decreased by 25.0% to RMB47.5 million for the year ended 31 December 2014 from RMB63.3 million in 2013 which was principally due to the closure of certain department stores in Dongguan in 2013, offset by the three new stores opened in 2013 and 2014.

Operating lease rental expenses

Operating lease rental expenses decreased by 22.1% to RMB145.3 million for the year ended 31 December 2014 from RMB186.5 million in the same period of 2013. The decrease was principally attributable to the closure and sub-leasing of certain department stores in Dongguan, offset by the two new stores opened in 2013.

Other operating expenses, net

Other operating expenses, which principally comprised of utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges, exchange differences and maintenance expenses, remained stable at RMB125.9 million for the year ended 31 December 2014 as compared to RMB123.1 million in 2013.

Operating profit/(loss)

As a result of the reasons mentioned above, the Group's operating profit amounted to RMB24.8 million for the year ended 31 December 2014 as compared with the operating loss of the Group of RMB242.3 million in 2013.

Finance income

Finance income decreased by 3.7% to RMB26.2 million for the year ended 31 December 2014 from RMB27.2 million in 2013 which was primarily attributable to the lower interest income earned from bank deposits.

Finance costs

Finance costs increased by 19.0% to RMB2.5 million for the year ended 31 December 2014 from RMB2.1 million in 2013 which was primarily attributable to the increase in borrowing principal as a result of the unfavourable fluctuation in exchange rate.

Income tax expense

Income tax expense amounted to RMB15.7 million for the year ended 31 December 2014, representing an increase of 582.6% from RMB2.3 million in 2013. The effective tax rate applicable to the Group for the year ended 31 December 2014 was 25%. In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by subsidiaries established in China. The applicable tax rate for the Group is 5%.

Profit/(Loss) attributable to owners of the Company

As a result of the aforementioned, profit attributable to the Shareholders amounted to RMB32.8 million for the year ended 31 December 2014, representing an increase of 114.9% as compared with the loss of RMB219.5 million in 2013.

Liquidity and Financial Resources

As of 31 December 2014, the Group's cash and cash equivalents amounted to RMB554.8 million, representing a decrease by RMB71.5 million from RMB626.3 million as of 31 December 2013. The cash and cash equivalents, which were in RMB and Hong Kong dollars, were deposited with banks in the PRC and Hong Kong as short-term deposits for interest income. As of 31 December 2014, the Group's bank deposits amounted to RMB931.1 million, representing an increase by RMB12.1 million from RMB919.0 million as of 31 December 2013. The bank deposit which were mainly denominated in RMB, were deposited with banks in the PRC and Hong Kong as long-term fixed deposits for interest income, in which RMB387.6 million (31 December 2013: RMB388.4 million) were pledged to bank as restricted bank deposit to secure borrowings.

As of 31 December 2014, the Group's outstanding bank borrowings amounted to RMB236.7 million (31 December 2013: RMB235.9 million). The borrowings are denominated in Hong Kong dollars with average interest rate of 1.047% per annum (31 December 2013: 0.882%). The gearing ratio of the Group expressed as a percentage of interest-bearing bank loans over the total assets was 9.5% as of 31 December 2014 (31 December 2013: 9.3%). 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 31 December 2014 were RMB514.1 million (31 December 2013: RMB539.0 million), representing a decrease of RMB24.9 million. The net assets of the Group as of 31 December 2014 increased to RMB1,260.6 million (31 December 2013: RMB1,219.5 million), representing an increase of 3.4%.

Foreign exchange exposure

The business operations of the Group is primarily in the PRC with most of its transactions settled in RMB. Certain of the Group's cash and bank balances are denominated in Hong Kong dollars and the Company paid dividends in Hong Kong dollars which exposed the Group to foreign exchange risks arising from the exchange of Hong Kong dollars against RMB. For the year ended 31 December 2014, the Group recorded a net foreign exchange gain of RMB0.8 million. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Employees and remuneration policy

As of 31 December 2014, the total number of employees of the Group was 2,470. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees.

To recognise and reward the eligible employees for their contributions to the business and development of the Group, the Company adopted an employees' share award scheme in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

Certain suppliers have commenced proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As of 31 December 2014, the legal proceedings were ongoing. The Group has made a provision of approximately RMB8,088,000 (2013: RMB 5,084,000), which the Directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

Material acquisitions and disposal of subsidiaries

There are no material acquisition and disposal of subsidiaries and associated companies during the year under review.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. YANG Xiangbo, *Chairman and executive Director and members of Nomination Committee and Remuneration Committee*
Mr. YANG Xiangbo, aged 52, was appointed as an executive 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 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 Guangdong and Shenzhen etc.. In 1990, Mr. YANG established Shirble Holdings Limited (which is not part of the Group). 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, Mr. YANG established Shirble Department Store (Shenzhen) Limited with the first department store in Shenzhen opened in January 1996. Part of the equity interest in Shirble Department Store (Shenzhen) Limited was held by Haerbin Hatou Investment during the period between February 2000 and August 2006. 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 February 2013, Mr. YANG was also appointed as a member of the twelfth session of the National Committee of the Chinese People's Political Consultative Conference. In 1993, Mr. YANG was granted an honorary doctor's degree in engineering from Haerbin Institute of Technology. Mr. YANG is the father of Mr. YANG Ti Wei, the chief executive officer and an executive Director. 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.

Mr. YANG Ti Wei, *Chief Executive Officer and executive Director*
Mr. YANG Ti Wei, aged 28, was appointed as an executive Director and Chief Executive Officer on 7 September 2013. Mr. YANG Ti Wei joined the Group in June 2009 and is the executive vice president of the Group since 2009. He is principally responsible for the overall strategic development, operational and logistics management, human resources, information technology infrastructure planning and coordination of marketing and promotion activities of the Group. Mr. Yang is also a director of Shirble Department Store (Shenzhen), and a supervisor of Shirble Chain Store, Changsha Shirble Department Store Limited Liability Company ("**Shirble Department Store (Changsha)**"), Shirble Mingxing Trading, Shirble Xiangzhixuan, Shirble Ruizhuo, Shirble Yuzhixiang and Shirble Apparel. Mr. YANG obtained a bachelor's degree in business management from the University of Surrey in England in 2010. Mr. YANG Ti Wei is the son of Mr. YANG Xiangbo, the Chairman and an executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Ms. ZHAO Jinlin, *Chairperson of the Audit Committee and a member of the Nomination Committee*
Ms. ZHAO Jinlin, aged 46, 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, specializing 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 since March 2004. In January 2014, Ms ZHAO has been an independent non-executive director of Shenzhen Infinova Limited, a company listed in Shenzhen Stock Exchange (SHE:002528). In December 2014, Ms. ZHAO has been an independent non-executive director of NNK Group Limited.

Mr. CHEN Fengliang, *Chairperson of the Remuneration Committee and a member of the Audit Committee*
Mr. CHEN Fengliang, aged 41, 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. In August 2014, Mr. CHEN is also the vice general manager of the business development department of Chinalion Securities Co., Ltd..

Mr. JIANG Hongkai, *Chairperson of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee*
Mr. JIANG Hongkai, aged 49, 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).

Mr. FOK Hei Yu, *A member of the Audit Committee, Remuneration Committee and Nomination Committee*
Mr. FOK Hei Yu, aged 44, was appointed as an independent non-executive Director on 31 January 2013. Mr. FOK is a senior managing director of FTI Consulting, a business advisory firm assisting companies to protect and enhance enterprise value. From 17 November 2009 to 30 December 2014, Mr. Fok was an independent non-executive director of Kaisa Group Holdings Limited (Stock Code: 1638). From 31 August 2011 to 8 October 2014, Mr. FOK was a director of Emerson Radio Corp., a company listed on the New York Stock Exchange. From 1 December 2009 to 15 June 2012, Mr. FOK was also a non-executive director of Delong Holdings Limited, a company listed on the Singapore Exchange Limited. Mr. FOK is an associate member of the Hong Kong Institute of Certified Public Accountants and Certified Practicing Accountant (Australia) and a member of the Hong Kong Institute of Directors. Mr. FOK graduated from Australian National University with a bachelor's degree in commerce in 1995.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Lam Man Tin, age 55, has been appointed as the CEO Strategist effective from 9 September 2013. Prior to joining the Group, Mr. LAM served as the managing director of Aeon Stores (Hong Kong) Co. Limited (Stock Code: 984) from May 2006 to May 2012 and has over 20 years of experience in retail and service industries. Mr. LAM was a director of Aeon Stores Co., Ltd. and an executive Director of Aeon Stores (Hong Kong) Co. Limited from May 1999 to May 2012. Mr. LAM was engaged as a consultant of Aeon Stores (Hong Kong) Co., Limited following his resignation from the board until September 2012. Mr. LAM is also an independent non-executive Director of S. Culture International Holdings Limited (Stock Code: 1255) which is an established distributor and retailer of lifestyle comfort footwear products. Mr. Lam graduated from University of Hull (England) with a master degree in strategic marketing (Distance learning) in July 1996, and is founding member of the Hong Kong Yau Yat Chuen Lions Clubs.

Ms. CHAN Chore Man, Germaine, aged 35, the chief financial officer, company secretary and investor relationship manager of the Company. Ms. CHAN is responsible for overseeing the overall financial, corporate finance and compliance 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 us in July 2010, Ms. CHAN has over five years of experience in the investment banking sector, specializing in corporate finance, and two years of experience in the audit and tax departments at Ernst and Young. Ms. CHAN is a member of the Hong Kong Institute of Certified Public Accountants since 2006.

Ms. HUANG Bihui, aged 43, is the Group's Executive Vice President. Ms. HUANG is principally responsible for overseeing all the accounting, administration, information system, corporate affairs, legal and security matters of the Group. Ms. HUANG joined Shirble Department Store (Shenzhen) as a supervisor of the finance department in January 1996 and was subsequently promoted as the Director of Finance in 2005 before becoming the Group's Executive Vice President in 2014. In 2009, Ms. HUANG received a master's degree in business administration from the Shanghai University of Finance and Economics.

DIRECTOR'S REPORT

The Board is pleased to present the report on the affairs of the Company, together with the consolidated financial statements and auditor's report, for the year ended 31 December 2014.

Principal activities

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

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries are operation of department stores in the PRC.

Results

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 38 of this report.

Proposed final dividends

The Board has proposed the declaration of a final dividend of RMB0.0036 (equivalent to approximately HKD0.0046) per Share or in the total amount of RMB9.0 million (equivalent to approximately HKD11.4 million) (2013: Nil) for the year ended 31 December 2014 which will be payable by way of cash in Hong Kong dollars. The Directors consider that this dividend level is appropriate after careful consideration of the operating results of the Group in 2014.

Even though the profitability of the Group declined in the past two years, the significant profit improvement of the Group for the year ended 31 December 2014 was attributable to the effort of the Directors who improved various operational aspects of the Group. The Directors remain optimistic on the future business development of the Group, and the proposed cash dividends represent the Board's appreciation of the continuous supports from the Shareholders.

The proposed final dividend is subject to the approval by the Shareholders at the annual general meeting of the Company (the "**Annual General Meeting**"). The proposed final dividend will be paid on or around 12 June 2015 to the Shareholders whose name appears on the register of members of the Company at the close of business on 29 May 2015.

Investment properties

Details of movements in investment properties during the year are set out in note 15 to the consolidated financial statements.

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

Share capital

Details of the Company's authorised and issued share capital as of 31 December 2014 are set out in note 22 to the consolidated financial statements.

Reserves

As of 31 December 2014, distributable reserves of the Company included the Company's accumulated loss in the amount of RMB56.0 million and the Company's share premium in the amount of RMB894.3 million. Details of the movements in reserves of the Company and the Group during the year under review are set out in notes 23 to 24 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Charitable donations

The Group did not make any charitable donations for the year ended 31 December 2014.

Pre-emptive rights

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles**") and the laws of the Cayman Islands do not impose any limitations on such rights.

Directors

The Directors of the Company during the year under review and up to the date of this report are as follows:

Executive Directors:

Mr. YANG Xiangbo *(Chairman)*
Mr. YANG Ti Wei

Independent Non-executive Directors:

Ms. ZHAO Jinlin
Mr. CHEN Fengliang
Mr. JIANG Hongkai
Mr. FOK Hei Yu

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 of 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, 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 reelection.

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Mr. CHEN Fengliang and Mr. JIANG Hongkai will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' service contracts

Mr. YANG Xiangbo, one of the executive Director, has entered into a service contract, together with supplements, with the Company for an initial term of three years commencing from 18 June 2013. 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.

Mr. YANG Ti Wei, one of the executive Director, has entered into a service agreement with the Company for a term of three years commencing from 7 September 2013. The service contract shall continue thereafter and may only be terminated in accordance with the terms and conditions specified therein. The directorship is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. YANG is entitled to an annual remuneration comprising (a) a fixed annual salary of RMB2,160,000 (after taxation) (the "**Base Pay**") and an extra one-month salary of RMB180,000 (after taxation) and (b) a fixed annual director's fee of HK$300,000 (before taxation), which is determined by the Board with reference to his position and his responsibilities. In addition, pursuant to the relevant service agreement, Mr. YANG would be provided, at the discretion of the Board, such amount of management bonus with reference to the amount of the audited consolidated net profit after taxation of the Group (the "**Net Profit**") in the relevant financial year. The amount of the management bonus will be based on the higher of (a) 40.0% of the Base Pay and (b) 0.5%, 0.6%, 0.7% of the Net Profit for the respective three-year term. Mr. Yang's remuneration package is determined with his performance, responsibilities with the Company and the terms of the Company's remuneration policy.

Mr. Fok Hei Yu who has signed a letter of appointment with a term of three years commencing from January 2013 whereas the other three independent non-executive Directors have signed letters of appointment for a term of three years commencing from 18 June 2014. The annual fee for each independent non-executive Director is HK$300,000. 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 9 to the financial statements.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As of 31 December 2014, 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 out 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	Interest in a controlled corporation	1,662,487,500	66.6%

Note:

(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.

(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 of 31 December 2014, 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 year ended 31 December 2014.

Substantial shareholders' interests and short positions in shares and underlying shares of the company

As of 31 December 2014, so far as is known to the Directors 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 as recorded in the register required to be kept under Section 336 of the SFO.

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 of 31 December 2014, 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 of the Company 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:

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 issued under the Scheme shall not exceed 10% of the issued share capital of the Company (i.e. 250,000,000 shares) as of 17 November 2010 (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. An offer is deemed to be accepted when the Company receives from the eligible participants the offer letter signed by the eligible participants specifying the number of shares in respect of which the offer is accepted and a remittance to the Company of HK$1.00 as consideration for the grant of option. Such remittance is not refundable in any circumstances.

7. 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.

8. 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.

Employees' share award scheme

The Company adopted an employees' share award scheme ("**Employees' Share Award Scheme**") on 22 January 2014 ("**The Adoption Date**").

The purpose of the Employees' Share Award Scheme is to recognise and reward eligible employees for their contributions to the business and development of the Group, provide incentives to eligible employees for their satisfactory performance, and align the interest of the eligible employees with the interest of the Group through the grant of the award. Unless terminated earlier or extended by the Board in accordance with the Employees' Share Award Scheme rules, the Employees' Share Award Scheme operates for ten years commencing on the Adoption Date. The Board will not grant further award which will result in the number of Shares that may be transferred to the participants under the Employees' Share Award Scheme to exceed 2.0% of the total number of Shares in issue as of the Adoption Date. The maximum number of the Award Shares which may be granted to a Participant but unvested under the Employees' Share Award Scheme will not exceed 0.1% of the total number of Shares in issue as of the Adoption Date. Eligible employees will include different levels of employee of the Group, the total number of which will not be more than 200.

For details of the Employees' Share Award Scheme, please refer to the announcement of the Company dated 22 January 2014.

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 Option Scheme and Share Award Scheme pursuant to which the participants, including the Directors, may be granted options to subscribe for the shares or may reward shares directly.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 9 to the financial statements.

Directors' interest in competing business

As of 31 December 2014, 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 of the Company dated 5 November 2010 (the "**Prospectus**"), the Controlling Shareholders (as defined in the Prospectus) and the then 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 Covenantors 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 for the year ended 31 December 2014.

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 business.

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 under review.

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", "Share Option Scheme" and "Employees' share award scheme" above, at no time during the year was the Company and any of its subsidiaries of the Company and its associated corporations 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.

Continuing Connected Transaction

Details of the related party transactions, which were undertaken in the ordinary course of business are set out in note 30 to the financial statements.

The transaction stated below constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the annual caps exceed 0.1% but are less than 5%, the transaction is subject to the reporting, announcement, and annual review requirements, but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Restaurant operation agreement with Lufeng Haige Restaurant Company Limited ("Lufeng Haige")

Pursuant to a restaurant operation agreement entered into between Lufeng Shirble Department Store Company Limited ("**Lufeng Shirble**"), a wholly-owned subsidiary of the Company, and Lufeng Haige on 10 September 2014, Lufeng Shirble has agreed that a restaurant venue with a GFA of 4,095.98 square metres and situated on the fifth floor of Lufeng store would be permitted to be used by Lufeng Haige for the operation of the restaurant at Lufeng store, a property owned by the Group, for a term of three years commencing from 19 September 2014 and ending on 18 September 2017. The monthly income received by Lufeng Shirble under the relevant restaurant operation agreement includes two components, namely (1) a fixed monthly fee of RMB250,000 (equivalent to HK$314,945), and (2) a variable amount representing 50% of the operating profit of Lufeng Haige.

Lufeng Haige is a wholly-owned subsidiary of Luhe County Shirble Inn ("**Shirble Inn**"), which is in turn ultimately controlled by Mr. YANG Xiangbo, an executive Director and a controlling shareholder (as defined in the Listing Rules) of the Company. Shirble Inn and Lufeng Haige are associates of a connected person of the Company pursuant to Rules 1.01 and 14A.07(4) of the Listing Rules. Hence, Shirble Inn and Lufeng Haige are connected persons of the Company.

For the year ended 31 December 2014, the amount paid under the restaurant operation agreement amounted to RMB850,000 (equivalent to HK$1,070,900), which was within the applicable annual cap of HK$1,721,000 for 2014 (from 19 September 2014 to 31 December 2014).

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 terms of relevant restaurant operation agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.55 of the Listing Rules, the Board engaged the auditors of the Company to perform procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letters on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Board has received a letter from the auditors of the Company stating that:

a) nothing has come to the auditors' attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors; and

b) nothing has come to the auditors' attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

Exempt continuing connected transactions

The transactions stated below are entered into in the ordinary and usual course of business, and constitute continuing connected transactions exempt from the reporting, announcement, annual renew and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.

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

Pursuant to a lease agreement dated 1 June 2004 and supplemental agreements dated 1 March 2010 and 16 July 2013 entered into between Shirble Chain Store and Shirble Inn, Shirble Chain Store has agreed to lease the property with a total area of 912 sq.m. located at the 1st Floor of Shirble Inn from 1 May 2013 until 30 April 2016 as the Group's Luhe store. The annual rental is fixed at RMB109,440. Shirble Inn is a connected person of the Company. For details of the connectedness of Shirble Inn with the Company, please refer to the sub-paragraph noted in "Restaurant operation agreement with Lufeng Haige Restaurant Company Limited ("Lufeng Haige")" above.

Lease agreement with Shenzhen Ruizhuo Investment Development Co., Ltd ("Ruizhuo Investment")

Pursuant to a lease agreement dated 10 January 2013, 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 2013 to 9 January 2016 at a monthly rental of RMB1,678, i.e. an annual rental of RMB20,136. 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 Mr. YANG Xiangbo's nephew, and Ms. ZHU Bihui, who is Mr. YANG Xiangbo's niece. Hence, Ruizhuo Investment is a connected person of the Company under the Listing Rules.

The above two transactions involve the lease of properties from entities controlled by Mr. YANG Xiangbo or his associates. The continuing connected transactions represented by the lease agreements with Shirble Inn and Ruizhuo Investment are aggregated and treated as if they were one transaction pursuant to Rule 14A.83 of the Listing Rules.

For the year ended 31 December 2014, the aggregate annual rental paid under the lease agreements with Shirble Inn and Ruizhuo Investment amounted to RMB55,000. Since the transactions (the "**Transactions**") under the agreements with Shirble Inn and Ruizhuo Investment, as confirmed by the Directors, are on normal commercial terms and the applicable percentage ratios in respect of the Transactions were on an annual basis, less than 5% and the annual consideration is less than HK$3.0 million, they fall within the de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules, the Transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTOR'S REPORT

Purchase, sale or redemption of listed shares of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

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 revenue in year ended 31 December 2014. None of the Directors or shareholders who owned 5% or more of the issued shares capital of the Company as of 31 December 2014 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 2014.

Bank loans and other borrowings

As of 31 December 2014, the Group had bank loans and other borrowings in the amount of RMB236.7 million (2013: RMB235.9 million). Particulars of the bank loans and other borrowings are set out in note 26 to the consolidated 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 report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2014 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 "Continuing Connected Transactions" and the "Exempt Continuing Connected Transactions" sections 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.

Controlling shareholder's interests in significant contracts

Saved as disclosed in note 30 to the financial statements with the section headed "Related Party Transactions", at no time during the year had the Company or any of its subsidiaries, and the Controlling Shareholders or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the Controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

Corporate governance report

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

DIRECTOR'S REPORT

Tax relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting of the Company.

On behalf of the Board

YANG Xiangbo
Chairman

23 March 2015

CORPORATE GOVERNANCE REPORT

Corporate governance

The Company is committed to achieving and maintaining high standards of corporate governance. In the opinion of the Directors, throughout the year ended 31 December 2014, the Company has complied with the principles and applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The enhancement of the internal controls measures will also continue to be monitored by the internal audit department and the Chief Executive Officer of the Group. The internal audit department will periodically report their review and findings on the Group's internal controls to the Audit Committee and the Board.

Board of directors

As of 31 December 2014, the Board comprises two Executive Directors, namely Mr. YANG Xiangbo (Chairman) and Mr. Yang Ti Wei (Chief Executive Officer), and four independent Non-executive Directors, namely Ms. ZHAO Jinlin, Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. FOK Hei Yu. 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 composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. The biographical details of the Directors are set out in the "Directors and Senior Management" section on pages 15 to 17 of this report. All independent non-executive Directors are appointed for a specific term of three years, but they are subject to retirement by rotation and re-election at the annual general meeting pursuant to the Articles of the Company.

The Board is responsible for overall management and control of the Company including formulation and approval of overall strategies, performing corporate governance duties, 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 senior management of the Company. Details of the type of decisions taken by the Board and those delegated to the management are set out in the sub-section headed "Corporate Governance Functions" on page 32 of this report.

In accordance with Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the four independent non-executive Directors. The Company considers that all the independent non-executive Directors are independent. Mr. Fok has signed a letter of appointment with a term of three years commencing from 31 January 2013 and the other three independent non-executive Directors have signed renewal letters of appointment for a term of three years commencing from 18 June 2014.

Board diversity policy

In respect of the code provision relating to Board diversity under the CG Code, the Board seeks to achieve a sustainable and balanced development through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience.

On 26 August 2013, the Board has formally approved a diversity policy with effective from 1 September 2013.

Directors' responsibilities

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2014.

Audit Committee

In accordance with Rule 3.21 of the Listing Rules, the Company has set up an audit committee comprising of four Independent non-executive Directors, namely, Ms. ZHAO Jinlin (chairman), Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. FOK Hei Yu. The Audit Committee has been established to review the financial reporting process and evaluate the effectiveness of internal control procedures (including financial, operational and compliance controls and risk management functions) of the Group. During the year under review, the Audit Committee held three regular meetings with management, external auditors and internal control consultant to discuss on the auditing, internal controls and financial reporting matters of the Company, and to review on the Group's internal control and annual results for the year ended 31 December 2014.

The Audit Committee is satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group, and believes that in order to manage the risk of failure in achieving the Company's goals and objectives to an ultimate extent, the Group should continuously enhance its internal control system. The Audit Committee also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting and internal audit functions; as well as training programs and budget. The Audit Committee believes that in view of the rapid expansion plan of the Group, the Group should continue to monitor its total resources in the accounting and financial reporting and internal audit functions.

Remuneration Committee

In accordance with Rule 3.25 of the Listing Rules, the Company has set up a remuneration committee with a majority of independent non-executive Directors. The Remuneration Committee comprises four members, namely Mr. CHEN Fengliang (Chairperson), Mr. JIANG Hongkai and Mr. FOK Hei Yu, all being independent non-executive Directors and one executive Director, namely Mr. YANG Xiangbo. The primary responsibilities of remuneration committee are to provide recommendation to the Board on the remuneration package of Directors and senior management and to establish formal and transparent procedures for developing such remuneration policy and structure.

The Remuneration Committee held four meetings during the year to discuss on the remuneration package and the performance assessment of the Directors and other remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the salary adjustment of the executive director and independent non-executive directors. Details of the director's emoluments are set out in note 9 to the financial statements.

Nomination Committee

In accordance with Code Provision A.5.1 of the CG Code, the Company has set up a nomination committee with a majority of independent non-executive Directors. The Nomination Committee comprises four members, namely Mr. JIANG Hongkai (Chairperson), Ms. ZHAO Jinlin and Mr. FOK Hei Yu, all being independent non-executive Directors; and one executive Director, namely Mr. YANG Xiangbo. The primary responsibilities of the Nomination Committee are to review the composition and diversity of the Board regularly, to assess the independence of independent non-executive Directors and to make recommendation to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee firstly proposes a list of candidates for selection, which shall then be submitted by the committee to the Board for review and approval. In respect of the selected candidates, the Nomination Committee collects their background information and examine the qualifications in accordance with the applicable requirements and to state their opinion and recommendations on appointments to the Board. The Nomination Committee carries out, if necessary, other relevant follow up works according to the decisions of or feedback from the Board.

During the year under review, no meeting was held by the Nomination Committee.

Frequency of meetings and attendance

The attendance record of each of the Directors for the meetings held during the year ended 31 December 2014 is set forth below:

	Number of attendance/Number of meetings				
Name of Directors	**Shareholders**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Director					
YANG Xiangbo *(Chairman)*	1/1	8/8	N/A	4/4	–
YANG Ti Wei	1/1	8/8	N/A	N/A	–
Independent non-executive Directors					
ZHAO Jinlin	1/1	8/8	3/3	N/A	–
CHEN Fengliang	1/1	8/8	3/3	4/4	–
JIANG Hongkai	1/1	8/8	3/3	4/4	–
FOK Hei Yu	1/1	8/8	2/3	4/4	–

Professional training for directors

Each newly appointed Director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The continuous professional development is provided to the Directors at the Company's expense to develop and refresh their knowledge and skills. From time to time the Company Secretary updates and provides Directors with relevant reference material, amendments to Listing Rules and news releases from the Stock Exchange on any developments in statutory and regulatory regime to facilitate the discharge of their responsibilities.

For the year ended 31 December 2014, all the Directors have attended 20 hours of training in form of in-house seminars and regulatory updates or other relevant reference materials studies.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

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 ensure compliance with applicable laws and regulations.

The internal audit department has reported its findings and work plan to the Audit Committee twice a year, and the Board and the Audit Committee then reviewed and refined the Group's material controls, including financial, operational and compliance controls and risk management functions. The Board, together with the Audit Committee, also accessed the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting and internal audit functions, and their training programs and budget.

In December 2013, the Group appointed a reputable accounting firm to conduct a review on the Group's internal control which reported its progress to the Audit Committee and Board in March 2014. The Audit Committee and the internal audit department followed up with the Company on the suggestions from the accounting firm. In November 2014, the Group also appointed the same accounting firm to assist the management to develop a standard operating procedures for certain operational functions of the Group for the purpose of enhancing the internal controls and efficiencies of those functions, the progress and adoption of which will be reported to the Board in stages in 2015. In addition, the Group also launched an office automation system on a trial basis in respect of the Group's approval procedures in December 2014. The Board believes that the successful launch of the office automation system will further improve and streamline the internal control procedures of the Group. The enhancement of the internal control measures will continue to be monitored by the internal audit department and the chief executive officer of the Group. The internal audit department will periodically report their review and findings on the internal controls of the Group to the Audit Committee and the Board.

Model code for securities transactions

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code during the year ended 31 December 2014.

Auditors' remuneration

The Independent Auditor's Report issued by PricewaterHouseCoopers, the Company's auditors, in respect of the audit of the Group's financial statements for the year ended 31 December 2014 is set out in note 8 of this report.

During the year ended 31 December 2014, the Auditors' remuneration was RMB4.8 million in total, comprising RMB4.4 million and RMB0.4 million, respectively, in respect of provision of audit services and non-audit service to the Group.

Insurance

The Company has arranged appropriate directors' and officers' liabilities and professional indemnity insurances coverage for the Directors and officers of the Company.

Company secretary

All Directors have access to the advice and services of the Company Secretary, Ms. Chan Chore Man ("**Ms. Chan**"), a full time employee of the Company. Ms. Chan has confirmed that she has received no less than 15 hours of relevant professional training for the year ended 31 December 2014.

Shareholder's rights

Pursuant to the Article 58 of the Articles of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The shareholders of the Company may communicate to the Board any enquiries they may have. All Shareholders correspondences received by the Company will be delivered to the Group's company secretary for an initial review. The company secretary will maintain a log of the correspondences and forward a copy of the correspondences to the Board for consideration at its next meeting.

Apart from the above, Shareholders also have the right to nominate candidates to be Directors. Following the relevant procedures which are made available to the Shareholders, Shareholders may at any time send a notice of nomination setting out the information required to the Nomination Committee of the Company. After evaluation, the Nomination Committee may make recommendation to the Board which will then evaluate the nomination.

For putting forward any enquiries to the Board of the Company, Shareholders may send their enquiries to the Company in writing by mail to:

Suite 1402, Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

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 formal announcements, press releases and conferences, analysts presentations and roadshows and forums organized by investment banks in order to enhance the transparency and communication with the investing public. The Company also maintains a website at www.shirble.net, 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 and the senior management will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised at the meetings.

羅兵咸永道

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

We have audited the consolidated financial statements of Shirble Department Store Holdings (China) Limited ("**the Company**") and its subsidiaries (together, the "**Group**") set out on pages 37 to 84, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, 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 and to report our opinion 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2014, 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	5	1,268,733	1,356,502
Other operating revenue	6	126,746	110,317
Other gains/(losses), net	7	3,558	(153,836)
Purchase of and changes in inventories	8,20	(877,117)	(992,297)
Employee benefits	8,9	(178,477)	(190,029)
Depreciation and amortisation	8	(47,509)	(63,317)
Operating lease rental expenses	8	(145,293)	(186,498)
Other operating expenses, net	8	(125,868)	(123,147)
Operating profit/(loss)		24,773	(242,305)
Finance income	10	26,188	27,194
Finance costs	10	(2,478)	(2,080)
Finance income – net	10	23,710	25,114
Profit/(loss) before income tax		48,483	(217,191)
Income tax expense	11	(15,709)	(2,324)
Profit/(loss) for the year		32,774	(219,515)
Profit/(loss) attributable to:			
Owners of the Company		32,774	(219,515)
Earnings/(loss) per share for the profit/(loss) attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic and diluted	13	0.01	(0.09)

		Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Dividends	14	8,976	–

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Profit/(loss) for the year	32,774	(219,515)
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss		
Change in fair value of investment properties	8,407	–
Currency translation differences	(12)	198
Other comprehensive income for the year	8,395	198
Total comprehensive income/(loss) for the year	41,169	(219,317)
Attributable to:		
Owners of the Company	41,169	(219,317)

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Investment properties	15	64,000	–
Property, plant and equipment	16	613,285	453,841
Intangible assets	17	19,664	21,618
Deferred income tax assets	18	51,481	54,134
Trade and other receivables	19	1,339	150,920
		749,769	680,513
Current assets			
Inventories	20	176,132	219,935
Trade and other receivables	19	81,095	81,200
Bank deposits	21	931,118	919,007
Cash and cash equivalents	21	554,810	626,291
		1,743,155	1,846,433
Total assets		2,492,924	2,526,946
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	213,908	213,908
Share premium	22	894,338	894,338
Other reserves	23	208,429	196,733
Accumulated loss	24	(56,037)	(85,510)
Total equity		1,260,638	1,219,469

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	18	3,251	–
Current liabilities			
Trade and other payables	25	953,058	1,044,445
Income tax payable		39,316	27,163
Borrowings	26	236,661	235,869
		1,229,035	1,307,477
Total liabilities		1,232,286	1,307,477
Total equity and liabilities		2,492,924	2,526,946
Net current assets		514,120	538,956
Total assets less current liabilities		1,263,889	1,219,469

On behalf of Board of Directors

YANG Xiangbo
Director

YANG Ti Wei
Director

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	27(a)	107,380	107,380
Amount due from subsidiaries	27(b)	690,041	680,041
		797,421	787,421
Current assets			
Trade and other receivables	19	219,272	226,276
Bank deposits	21	246,440	238,568
Cash and cash equivalents	21	22,215	22,130
		487,927	486,974
Total assets		1,285,348	1,274,395
EQUITY AND LIABILITIES			
Share capital	22	213,908	213,908
Share premium	22	894,338	894,338
Other reserves	23	107,782	107,782
Accumulated loss	24	(27,013)	(24,783)
Total equity		1,189,015	1,191,245
LIABILITIES			
Current liabilities			
Trade and other payables	25	96,333	83,150
Total liabilities		96,333	83,150
Total equity and liabilities		1,285,348	1,274,395
Net current assets		391,594	403,824
Total assets less current liabilities		1,189,015	1,191,245

On behalf of Board of Directors

YANG Xiangbo
Director

YANG Ti Wei
Director

The notes on pages 45 to 84 are an integral part of this balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated loss RMB'000	Total equity RMB'000
Balance at 1 January 2014	213,908	894,338	196,733	(85,510)	1,219,469
Comprehensive income					
Profit for the year	–	–	–	32,774	32,774
Other comprehensive income					
Change in fair value of investment properties (Note 15)	–	–	8,407	–	8,407
Currency translation differences	–	–	(12)	–	(12)
Total other comprehensive income	–	–	8,395	–	8,395
Total comprehensive income	–	–	8,395	32,774	41,169
Total contributions by and distributions to owners of the Company recognised directly in equity					
Appropriation to reserves	–	–	3,301	(3,301)	–
Total transactions with owners	–	–	3,301	(3,301)	–
Balance at 31 December 2014	213,908	894,338	208,429	(56,037)	1,260,638

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	(Accumulated loss)/ Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2013	213,908	894,338	195,008	135,532	1,438,786
Comprehensive income					
Loss for the year	–	–	–	(219,515)	(219,515)
Other comprehensive income					
Currency translation differences	–	–	198	–	198
Total other comprehensive income	–	–	198	–	198
Total comprehensive loss	–	–	198	(219,515)	(219,317)
Total contributions by and distributions to owners of the Company recognised directly in equity					
Appropriation to reserves	–	–	1,527	(1,527)	–
Total transactions with owners	–	–	1,527	(1,527)	–
Balance at 31 December 2013	213,908	894,338	196,733	(85,510)	1,219,469

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	28	18,047	(92,348)
Interest paid		(2,505)	(2,247)
Income tax paid		(455)	(8,585)
Net cash generated from/(used in) operating activities		15,087	(103,180)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and other non-current assets		(104,965)	(61,534)
Proceeds from disposals of property, plant and equipment	28	1,330	4,832
Increase in bank deposits with initial term of over three months		(543,476)	(530,568)
Decrease in bank deposits with initial term of over three months		530,568	230,500
Decrease/(increase) in restricted bank deposits		797	(1,399)
Interest received		28,444	21,350
Net cash used in investing activities		(87,302)	(336,819)
Cash flows from financing activities			
Proceeds from borrowings		236,661	235,869
Repayments of borrowings		(235,869)	(243,255)
Dividends paid to the Company's shareholders		–	(70,608)
Net cash generated from/(used in) financing activities		792	(77,994)
Net decrease in cash and cash equivalents		(71,423)	(517,993)
Cash and cash equivalents at beginning of year		626,291	1,144,010
Effect of changes in foreign exchange rate		(58)	274
Cash and cash equivalents at end of year	21	554,810	626,291

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

1. General information

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

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 November 2010.

In preparation for the listing of the shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), certain reorganisation steps (the "**Reorganisation**") were carried out. After the completion of the Reorganisation, the Company became the holding company of the subsidiaries comprising the Group.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors on 23 March 2015.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(i) New and amended standards adopted by the Group

In the current year, the Group has adopted the following new and revised standards, amendments to existing standards and interpretation which are mandatory for the financial year beginning 1 January 2014:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities

  This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets

  This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting

  This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the group financial statements as a result.

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(ii) The following new or revised standards, amendments to existing standards and interpretation are effective for the accounting periods beginning after 1 January 2014 which the Group has not early adopted:

IFRS 9	'Financial instruments'
IFRS 15	'Revenue from contracts with customers'

The Group is in the process of making an assessment of the impact of these new or revised standards, amendments to existing standards and interpretation on its result of operation and financial position.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

(iii) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

2. Summary of significant accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

(i) Consolidation *(continued)*

(a) Business combinations *(continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Summary of significant accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

The information reported to the 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.

The directors consider that the Group operates in a single business segment, i.e., operation of department stores in the PRC.

Accordingly, no segmental analysis is presented. All revenues from external customers during the year are generated in the PRC and all significant operating assets of the Group are located in PRC.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains – net'.

2. Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives and residual values of the property, plant and equipment were as follows:

	Useful lives	Residual values
Buildings	50-59 years	0%
Machinery and equipment	10 years	5%
Furniture and other equipment	5-10 years	0%-10%
Motor vehicles	5 years	5%
Leasehold improvements	10 years or the remaining term of any non-renewable lease, whichever is shorter	0%
Others	5 years	0%

Assets under construction represent buildings or leasehold improvements on which construction work has not been completed and plant, machinery and equipment pending installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, assets under construction are transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is charged for assets under construction until they are completed and available for use.

2. Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

2.6 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

An owner-occupied property transfer for lease is recognised as investment properties at the date of change in use, the transfer is made from owner-occupied property to investment property when owner-occupation ceases. The increases in fair value of the property over the previous carrying amount are recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss. Decreases in fair value of the property against the previous carrying amount are recognised in the consolidated income statement for any decrease in excess of the amount included in the revaluation surplus for that property.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in 'other gains – net'.

2.7 Intangible assets

(i) Entry rights

When the entry rights is paid to the previous tenant prior to starting up a store, it is classified within intangible assets and is amortised using the straight-line method over the lease term up to a period of 20 years, and is tested for impairment at each balance sheet date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These cost are amortised over their estimated useful lives of 5 to 10 years.

2. Summary of significant accounting policies *(continued)*

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity investment. The classification depends on the purposes for which the financial assets were acquired. The directors of the Group determine the classification of its financial assets at initial recognition. As at 31 December 2014, the Group only had loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2.12 and 2.13).

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. Summary of significant accounting policies *(continued)*

2.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 Inventories

Inventories comprise merchandise purchased for resale, and are stated at the lower of cost and net realisable value. Cost is determined using the weight average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected within one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2. Summary of significant accounting policies *(continued)*

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts within borrowings.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2. Summary of significant accounting policies *(continued)*

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies *(continued)*

2.19 Employee benefits

(i) Pension obligations

The Group's subsidiaries registered in PRC contributes, based on certain percentage of the salaries of the employees, to a defined contribution retirement benefit plan and medical benefit plan organised by relevant municipal and provincial government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group makes contributions to defined contribution retirement schemes under the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme Ordinance in Hong Kong, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by payments from employees and by the Group. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

The Group also contributes to employee retirement schemes established by municipal governments in Mainland China. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. Summary of significant accounting policies *(continued)*

2.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be low.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for merchandise supplied and service provided, stated net of discounts returns, rebates, discounts, and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Direct sales

Revenue from direct sales of merchandise 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 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 merchandise that result in the award of credits to 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 merchandise sold and the award credits awarded. The consideration allocated to the awarded 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 awarded credits are redeemed and the Group's obligations have been fulfilled.

(b) Commission from concessionaire sales

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

2. Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

(c) Rental income from operating leases

Rental income from lease of property owned by the Company and 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 receivables. Contingent rentals are recognised as income in the accounting period in which they are earned.

(d) Promotion, administration and management income

Revenue from promotion, administration and management fees is recognised according to the underlying contract terms with suppliers and concessionaires and as the services are provided accordingly.

(e) Credit card handling fee for concessionaire sales

Credit card handling fee for concessionaire sales is recognised when the relevant service is rendered.

(f) Prepaid cards

Cash received for prepaid cards sold are recognised as liabilities in the balance sheet. Revenue from prepaid cards is recognised when goods are delivered and the significant risks and rewards of ownership have been transferred.

Long-aged unredeemed prepaid cards are recognised as revenue if the management considered the likelihood of redemption is remote.

2.22 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate. Interest income that arises from treasury activity was classified as finance income.

2.23 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessee or received from the lessor) are recognised as income or expense in the consolidated income statement on a straight-line basis over the periods of the lease.

2. Summary of significant accounting policies *(continued)*

2.25 Government grants

Government grants are recognised at their fair values where there is a reasonable assurance that grant will be received and all attaching conditions will be complied with. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, and commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under the policies approved by the Board of Directors (the "**Board**"). The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollars against Renminbi. This foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency of Renminbi. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange risk.

At 31 December 2014, if Renminbi had strengthened/weakened by 2% (2013: 2%) against the Hong Kong dollars with all other variables held constant, loss before tax for the year would have been approximately RMB4,147,000 (2013: RMB4,412,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars-denominated bank balances and bank borrowings of the Group.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchangee control promulgated by Mainland China Government.

3. Financial risk management *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow interest rate risk

As at 31 December 2014, except for the fixed term bank deposits of RMB543,476,000 (2013: RMB530,568,000), which were held at fixed interest rate of 3.26% per annum (2013: 3.27% per annum), and the restricted bank deposits of RMB387,642,000 (2013: RMB388,439,000), which were held at fixed interest rate of 0.5% per annum (2013:0.8% per annum), the Group had no other significant fixed-rate interest-bearing assets. The Group's interest rate risk arises from cash and cash equivalents and bank borrowings. Cash and cash equivalents bear variable interest rate at 0.01 to 3.14% per annum (2013: 0.01% to 2.86%). Borrowings at variable rates at 0.96% to 1.24% (2013: 0.82% to 1.03%), generally reset on a monthly basis, expose the Group to cash flow interest rate risk that is broadly offset by cash at bank held at variable rates generally reset on a monthly basis. The Group's income and operating cash flows are substantially independent of changes in market interest rates. At the reporting date, management does not anticipate significant impact resulting from the changes in interest rates.

At 31 December 2014, if interest rates on bank balances at variable rates and bank borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's finance income, net for the year ended 31 December 2014 would have been approximately RMB1,295,000 (2013: RMB1,464,000) higher/lower.

(b) Credit risk

The credit risk of the Group mainly arises from bank deposits, cash and cash equivalents, trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2014, all the bank deposits were deposited in high quality financial institutions without significant credit risk.

Retail sales are usually settled in cash or by major credit/debit cards. 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. At the reporting date, management considers the Group does not have a significant concentration of credit risk. No single customer accounted for more than 1% of the Group's total revenue during the year.

3. Financial risk management *(continued)*

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flows and financing cash flows.

The table below shows the Group's and Company's financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity dates. No financial liabilities mature later than one year. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Maturity less than 1 year:				
Borrowings (including interest payable upon maturity)	239,592	237,949	–	–
Other financial liabilities	532,786	616,436	96,333	83,359

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, capital returned to shareholders, new shares issued or assets sold to reduce debt.

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 borrowings and equity as total equity attributable to owners of the Company.

The debt-to-equity ratios at 31 December 2014 and 2013 were as follows:

	2014	**2013**
Total borrowings (Note 26)	236,661	235,869
Total equity	1,260,638	1,219,469
Debt-to-equity ratio	19%	19%

(e) Fair value estimation

As at 31 December 2014 and 2013, the Group did not have significant financial instruments carried at fair value.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful lives and residual values of property, plant and equipment

The estimates of useful lives and residual value of property, plant and equipment were made by the management with reference to the established industry practices, technical assessments made on the durability of the assets, as well as the historical magnitude and trend of repair and maintenance expenses incurred by the Group. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives and residual values are less than those previously estimated or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

(ii) Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also be not recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the consolidated income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the amount will be recovered.

(iii) Allowance for impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of receivables and allowances for impairment losses in the period in which such estimate is revised.

(iv) Income tax

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4. Critical accounting estimates and judgments *(continued)*

(v) Deferred taxation

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. Details of the deferred taxation are disclosed in Note 18.

(vi) Impairment of long term assets

In determining whether a long term asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying amount of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognising; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(vii) Reversal of long-aged unredeemed prepaid cards

Long-aged unredeemed prepaid cards are recognised as revenue if the likelihood of redemption is considered remote. Aging analysis of the unredeemed prepaid cards balance is performed and management estimates the expected future usage ratio for each of the aging categories based on the historical utilisation ratio. Long-aged unredeemed balance of prepaid cards is reversed and recognised as revenue based on the expected future usage ratio.

If the estimated future usage ratio had been 10% higher/lower than management's estimates, the revenue for reversal of long-aged unredeemed prepaid cards would have been lower/higher by RMB983,000.

(viii) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed Note 15.

5. Revenue

	2014 RMB'000	2013 RMB'000
Direct sales	1,021,317	1,121,355
Commission from concessionaire sales	159,970	163,054
Rental income (a)	74,705	62,267
Income from reversal of long-aged unredeemed prepaid cards	12,741	9,826
	1,268,733	1,356,502

5. Revenue *(continued)*

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

	2014 RMB'000	2013 RMB'000
Sublease rental income	68,554	53,187
Contingent rental income	6,151	9,080
	74,705	62,267

6. Other operating revenue

	2014 RMB'000	2013 RMB'000
Promotion, administration and management income	116,785	106,890
Credit card handling fees for concessionaire sales	6,443	1,584
Others	3,518	1,843
	126,746	110,317

7. Other gain/(loss), net

	2014 RMB'000	2013 RMB'000
Relocation compensation (a)	12,310	–
Compensation for the contract damages	3,002	1,400
Impairment loss for property, plant and equipment and intangible assets (b)	–	(139,158)
Loss on disposal of property, plant and equipment	(4,409)	(633)
Loss on cancellation of lease contracts (b)	(3,686)	(21,509)
Provision for legal claims (Note 31)	(3,004)	(715)
Provision for prepayment and other receivables	(490)	(1,149)
Write back of allowance for tendering deposit	–	10,000
Others	(165)	(2,072)
	3,558	(153,836)

(a) The amounts represented an one-off relocation compensation of a department store located in Shenzhen from the landlord of the leased premises as a result of early cancellation of the lease contract.

(b) For the year ended 31 December 2014, the amounts represented the penalty charge as a result of early cancellation of lease contracts of department stores located in Dongguan, Guangdong Province initiated by the Group.

For the year ended 31 December 2013, the amounts represented the impairment loss for property, plant and equipment and intangible assets and provision for penalty charge as a result of cancellation of lease contracts of department stores in Dongguan, Guangdong Province.

8. Expenses by nature

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

	2014 RMB'000	2013 RMB'000
Purchase of and changes in inventories	877,117	992,297
Employee benefits (Note 9)	178,477	190,029
Depreciation and amortisation	47,509	63,317
Operating lease rental expenses	145,293	186,498
Utilities	47,297	51,925
Auditor's remuneration		
– Audit services	4,471	5,267
– Non-audit services	350	635
Other expenses	73,750	65,320
Total cost of sales, distribution expenses and administrative expenses	1,374,264	1,555,288

9. Employee benefits

	2014 RMB'000	2013 RMB'000
Wages and salaries	158,779	172,404
Social security costs	19,544	16,876
Others	154	749
Total employee benefit expense	178,477	190,029

(a) Directors' and senior management's emoluments

The remuneration of the directors for the year ended 31 December 2014 is set out below:

Name of director	Fees RMB'000	Salary allowances and benefits RMB'000	Retirement schemes contributions RMB'000	Bonus RMB'000	Others RMB'000	Total RMB'000
Executive directors						
Mr. YANG Xiangbo	–	1,140	13	–	–	1,153
Mr. YANG Ti Wei	238	2,340	12	–	–	2,590
Independent non-executive directors						
ZHAO Jinlin	238	–	–	–	–	238
CHEN Fengliang	238	–	–	–	–	238
JIANG Hongkai	238	–	–	–	–	238
FOK Hei Yu (ii)	238	–	–	–	–	238
	1,190	3,480	25	–	–	4,695

9. Employee benefits *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

The remuneration of the directors for the year ended 31 December 2013 is set out below:

Name of director	Fees RMB'000	Salary allowances and benefits RMB'000	Retirement schemes contributions RMB'000	Bonus RMB'000	Others RMB'000	Total RMB'000
Executive directors						
Mr. YANG Xiangbo	–	1,150	12	–	–	1,162
Mr. YANG Ti Wei (i)	76	1,734	2	180	–	1,992
Mr. LI Kuansen (i)	160	1,497	–	–	2,244	3,901
Independent non-executive directors						
ZHAO Jinlin	240	–	–	–	–	240
CHEN Fengliang	240	–	–	–	–	240
JIANG Hongkai	240	–	–	–	–	240
FOK Hei Yu (ii)	220	–	–	–	–	220
	1,176	4,381	14	180	2,244	7,995

(i) Mr. LI Kuansen was the executive director and chief executive officer of the Group during the period from 31 December 2012 to 7 September 2013. Mr. Li Kuansen tendered his resignation as an executive director and the chief executive officer of the Group on 6 September 2013. Mr. YANG Ti Wei was appointed as an executive director and the chief executive officer of the Group effective from 7 September 2013. Mr. LI Kuansen ceased to be the executive director and chief executive officer of the Group on the same date. Other emolument represented the payments made in respect of the early termination of the employment contract.

(ii) Mr. FOK Hei Yu was appointed as an independent non-executive director and a member of the audit committee from 31 January 2013.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining three (2013: two) individual during the year are as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries and allowances	6,475	2,814
Year-end bonuses	1,109	128
Contributions to the retirement scheme	27	2
	7,611	2,944

9. Employee benefits *(continued)*

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2014	**2013**
Emolument band		
HKD1,000,001 – HKD1,500,000	2	2
HKD6,500,001 – HKD7,000,000	1	–

10. Finance income, net

	2014 RMB'000	**2013 RMB'000**
Finance income		
Interest income from bank deposits	26,188	27,194
Finance costs		
Interest expenses	(2,478)	(2,080)
Finance income, net	23,710	25,114

11. Income tax expense

	2014 RMB'000	**2013 RMB'000**
Current income tax		
– PRC corporate income tax	12,607	8,356
Deferred income tax (Note 18)	3,102	(6,032)
	15,709	2,324

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

	2014 RMB'000	**2013 RMB'000**
Profit/(loss) before income tax	48,483	(217,191)
Tax calculated at a tax rate of 25% (2013: 25%)	12,121	(54,298)
Tax impact of:		
– Expenses not deductible for tax purposes	2,681	5,908
– Unrecognised tax loss	458	50,714
– Withholding tax on dividend (Note 18(a))	449	–
Income tax expense	15,709	2,324

11. Income tax expenses *(continued)*

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

(b) Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

12. Loss attributable to owners of the Company

Loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB2,230,000 (2013: RMB27,102,000).

13. Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014 RMB'000	2013 RMB'000
Earnings/(loss) attributable to owners of the Company	32,774	(219,515)
Weighted average number of ordinary shares in issue (thousands)	2,495,000	2,495,000
Basic earnings/(loss) per share (RMB per share)	0.01	(0.09)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

Diluted earnings/(loss) per share is not applicable as there were no dilutive potential ordinary shares during the financial year and the previous financial year.

14. Dividends

On 23 March 2015, the board of directors of the Company proposed to declare a final cash dividend of RMB0.0036 (equivalent to approximately HKD0.0046) per share for the year ended 31 December 2014, totaling RMB8,976,000 (equivalent to approximately HKD11,378,000). It was not recognised as a liability as at 31 December 2014.

15. Investment properties

	2014 RMB'000	2013 RMB'000
At fair value		
Opening balance at 1 January	–	–
Transfer from owner-occupied property (Note 16 (i))	52,791	–
Increase in fair value at the date of transferring from property, plant and equipment (i) (Note 23)	11,209	–
	64,000	–

(a) Amounts recognised in profit and loss for investment properties

	2014 RMB'000	2013 RMB'000
Rental income	850	–

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

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

An independent valuation of the Group's investment properties was performed by an independent valuer to determine the fair value of the investment properties as at 31 December 2014.

(i) As at the date of transferring from property, plant and equipment, the increase in fair value of RMB11,209,000 had been recognised in reserve (2013: Nil) (Note 23).

(ii) Subsequent to the date of transferring from property, plant and equipment, no gains from fair value had been recognised in other gains or losses (2013: Nil).

16. Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Furniture and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Others RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2013								
Cost	297,593	71,817	87,054	9,691	479,619	2,348	10,670	958,792
Accumulated depreciation	(8,192)	(47,122)	(37,936)	(5,394)	(250,864)	(2,101)	–	(351,609)
Impairment	(42,000)	–	–	–	–	–	–	(42,000)
Net book amount	247,401	24,695	49,118	4,297	228,755	247	10,670	565,183
Year ended 31 December 2013								
Opening net book amount	247,401	24,695	49,118	4,297	228,755	247	10,670	565,183
Additions	1,651	2,194	11,999	430	44,092	–	3,062	63,428
Transfers	–	–	273	–	10,846	–	(11,119)	–
Disposals (net)	–	(15)	(736)	25	(4,712)	(27)	–	(5,465)
Depreciation	(5,725)	(2,774)	(14,669)	(1,367)	(34,584)	(121)	–	(59,240)
Impairment	–	(9,757)	(6,511)	–	(93,797)	–	–	(110,065)
Closing net book amount	243,327	14,343	39,474	3,385	150,600	99	2,613	453,841
At 31 December 2013								
Cost	299,244	73,933	92,385	9,231	528,805	2,348	2,613	1,008,559
Accumulated depreciation	(13,917)	(49,833)	(46,400)	(5,846)	(284,408)	(2,249)	–	(402,653)
Impairment	(42,000)	(9,757)	(6,511)	–	(93,797)	–	–	(152,065)
Net book amount	243,327	14,343	39,474	3,385	150,600	99	2,613	453,841
Year ended 31 December 2014								
Opening net book amount	243,327	14,343	39,474	3,385	150,600	99	2,613	453,841
Additions	212,977	669	7,593	–	40,703	942	–	262,884
Transfer	–	–	–	–	2,613	–	(2,613)	–
Transfers to investment properties (i)	(52,791)	–	–	–	–	–	–	(52,791)
Disposals (net)	–	(1,899)	(3,615)	(145)	(80)	–	–	(5,739)
Depreciation	(8,919)	(2,509)	(8,513)	(887)	(24,075)	(7)	–	(44,910)
Closing net book amount	394,594	10,604	34,939	2,353	169,761	1,034	–	613,285
At 31 December 2014								
Cost	454,318	62,744	87,784	9,054	478,673	3,290	–	1,095,863
Accumulated depreciation	(17,724)	(49,796)	(48,693)	(6,701)	(289,961)	(2,256)	–	(415,131)
Impairment	(42,000)	(2,344)	(4,152)	–	(18,951)	–	–	(67,447)
Net book amount	394,594	10,604	34,939	2,353	169,761	1,034	–	613,285

(i) During the year ended 31 December 2014, the Group vacated certain owner-occupied premises in Shenzhen and Lufeng for lease to third parties. Accordingly, it transferred these assets with an aggregate carrying amount of RMB52,791,000 (2013: Nil) from property, plant and equipment to investment properties at fair value of RMB64,000,000 (2013: Nil) and recognised the increase in fair value of RMB11,209,000 (2013: Nil) as revaluation surplus within other reserve (Note 23).

17. Intangible assets

	Computer software RMB'000	Entry right RMB'000	Total RMB'000
At 1 January 2013			
Cost	22,330	32,186	54,516
Accumulated amortisation	(333)	(1,910)	(2,243)
Net book amount	21,997	30,276	52,273
Year ended 31 December 2013			
Opening net book amount	21,997	30,276	52,273
Additions	2,515	–	2,515
Amortisation	(2,468)	(1,609)	(4,077)
Impairment	(426)	(28,667)	(29,093)
Closing net book amount	21,618	–	21,618
At 31 December 2013			
Cost	24,845	32,186	57,031
Accumulated amortisation	(2,801)	(3,519)	(6,320)
Impairment	(426)	(28,667)	(29,093)
Net book amount	21,618	–	21,618
Year ended 31 December 2014			
Opening net book amount	21,618	–	21,618
Additions	645	–	645
Amortisation	(2,599)	–	(2,599)
Closing net book amount	19,664	–	19,664
At 31 December 2014			
Cost	25,490	13,626	39,116
Accumulated amortisation	(5,400)	(2,018)	(7,418)
Impairment	(426)	(11,608)	(12,034)
Net book amount	19,664	–	19,664

18. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances shown in the consolidated balance sheet are, after appropriate offsetting, as follows:

	2014 RMB'000	2013 RMB'000
Deferred income tax assets	51,481	54,134
Deferred income tax liabilities	(3,251)	–
Net deferred income tax assets	48,230	54,134

The movement on net deferred income tax account is as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	54,134	44,102
Tax (charged to)/credited in consolidated income statement (Note 11)	(3,102)	6,032
Tax charged to consolidated statement of comprehensive income (Note 23)	(2,802)	–
Withholding tax paid	–	4,000
At 31 December	48,230	54,134

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred tax assets			
	Accrued expenses, deferred revenue and others RMB'000	Depreciation on property, plant and equipment RMB'000	Impairment provision RMB'000	Total RMB'000
Balance at 1 January 2013	34,929	13,173	–	48,102
Credited to the consolidated income statement	5,368	(2,170)	2,834	6,032
Balance at 31 December 2013	40,297	11,003	2,834	54,134
Balance at 1 January 2014	40,297	11,003	2,834	54,134
Charged to the consolidated income statement	245	(2,269)	(629)	(2,653)
Balance at 31 December 2014	40,542	8,734	2,205	51,481

18. Deferred income tax *(continued)*

	Deferred tax liabilities – Undistributed profits of subsidiaries (a) RMB'000	Fair value change of investment properties RMB'000	Total RMB'000
Balance at 1 January 2013	4,000	–	4,000
Withholding tax paid	(4,000)	–	(4,000)
Balance at 31 December 2013	–	–	–
Balance at 1 January 2014	–	–	–
Charged to consolidated statement of comprehensive income (Note 23)	–	2,802	2,802
Charged to consolidated income statement (a)	449	–	449
Balance at 31 December 2014	449	2,802	3,251

(a) Pursuant to the New EIT 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 at 31 December 2014, deferred tax liabilities of RMB449,000 (2013: 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 RMB8,566,000 (2013: RMB6,220,701) have not been recognised, in respect of the remaining retained profits generated by its PRC entities subsequent to 31 December 2008 amounting to RMB171,323,000 (2013: RMB124,414,025), because the directors do not intend to declare dividends out of such retained profits to overseas companies in the foreseeable future.

As at 31 December 2014, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB355,342,000 (2013: RMB215,802,000) which will expire within 5 years under the current tax regulation. The cumulative tax losses have not been recognised as a deferred tax asset as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

19. Trade and other receivables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Current portion:				
Trade receivables (a)	16,055	13,224	–	–
Prepayments	8,778	9,420	–	–
Lease deposits	32,904	34,141	–	–
Amounts due from subsidiaries	–	–	212,332	219,548
Amounts due from a related party (Note 30(c(i)))	27	–	–	–
Other receivables	4,409	3,992	–	–
Prepaid rental	5,563	5,935	–	–
Interest receivables	13,359	14,488	6,940	6,728
	81,095	81,200	219,272	226,276
Non-current portion:				
Prepayments for acquisition of a property in Lufeng	–	144,792	–	–
Prepayments for construction project	1,339	6,128	–	–
	1,339	150,920	–	–
	82,434	232,120	219,272	226,276

(a) Trade receivables

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

The ageing analysis of the trade receivables of the Group based on invoice date or the time from the initial recognition of receivables is as follows:

	2014 RMB'000	2013 RMB'000
0 - 30 days	13,397	9,523
31 - 90 days	1,938	2,554
91 - 365 days	720	1,147
	16,055	13,224

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

As at 31 December 2014, trade receivables of RMB16,055,000 were fully performing (2013: RMB13,224,000).

20. Inventories

	2014 RMB'000	2013 RMB'000
Merchandise held for resale	177,251	225,752
Allowance for obsolescence	(1,119)	(5,817)
	176,132	219,935

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	881,815	989,574
(Reversal of allowance)/allowance for obsolescence	(4,698)	2,723
	877,117	992,297

21. Bank deposits, cash and cash equivalents

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Fixed term	543,476	530,568	246,440	238,568
Restricted (a)	387,642	388,439	–	–
Total bank deposits	931,118	919,007	246,440	238,568
Cash and cash equivalents	554,810	626,291	22,215	22,130
	1,485,928	1,545,298	268,655	260,698

The balances are denominated in the following currencies:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
RMB	1,464,119	1,536,548	265,704	257,734
HKD	21,809	8,750	2,951	2,964
	1,485,928	1,545,298	268,655	260,698

The average effective interest rate on fixed term deposits with maturity more than 3 months was 3.26% (2013: 3.27%).

21. Bank deposits, cash and cash equivalents *(continued)*

(a) Restricted bank deposits are as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Pledged deposits for bank borrowings	387,642	388,439	–	–

As at 31 December 2014, bank deposits of RMB387,642,000 (2013: RMB388,439,000) were pledged as security for the Group's borrowings (Note 26). The average effective interest rate of the restricted bank deposits was 0.52% (2013: 0.8%).

22. Share capital and share premium

Group and Company

		Issued and fully paid			
	Number of ordinary shares, authorised (thousand)	Number of ordinary shares (thousand)	Ordinary share capital RMB'000	Share premium RMB'000 (Note i)	Total RMB'000
At 31 December 2013 and 2014	1,500,000	2,495,000	213,908	894,338	1,108,246

(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.

23. Other reserves

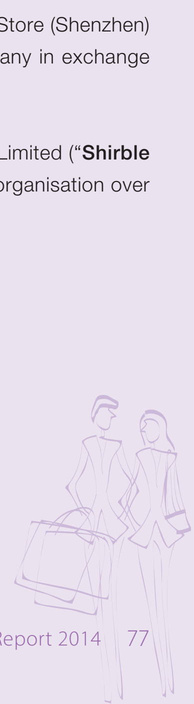
Group	Statutory reserve RMB'000 (Note i)	Merger reserve RMB'000 (Note ii)	Re-valuation surplus RMB'000	Currency translation reserve RMB'000	Capital redemption reserve RMB'000	Total RMB'000
At 1 January 2013	86,921	107,372	–	305	410	195,008
Appropriation to statutory reserves	1,527	–	–	–	–	1,527
Currency translation differences	–	–	–	198	–	198
At 31 December 2013	88,448	107,372	–	503	410	196,733
Appropriation to statutory reserves	3,301	–	–	–	–	3,301
Revaluation for transfer of property, plant and equipment to investment properties (Note 16(i))	–	–	11,209	–	–	11,209
Revaluation – tax (Note 18)	–	–	(2,802)	–	–	(2,802)
Currency translation differences	–	–	–	(12)	–	(12)
At 31 December 2014	91,749	107,372	8,407	491	410	208,429

Company	**Capital redemption reserve RMB'000**	**Contributed surplus RMB'000** (Note iii)	**Total RMB'000**
At 31 December 2013 and 2014	410	107,372	107,782

(i) 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. In 2014, RMB3,301,000 was appropriated to statutory reserve (2013: RMB1,527,000).

(ii) 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) Contributed surplus represents the excess of the fair value of the shares of Shirble Department Store Investment Limited ("**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.



24. Accumulated loss

	Group RMB'000	Company RMB'000
At 1 January 2013	135,532	2,319
Loss for the year	(219,515)	(27,102)
Appropriation to reserves	(1,527)	–
At 31 December 2013	(85,510)	(24,783)
At 1 January 2014	(85,510)	(24,783)
Profit/(Loss) for the year	32,774	(2,230)
Appropriation to reserves	(3,301)	–
At 31 December 2014	(56,037)	(27,013)

25. Trade and other payables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables (a)	227,195	304,046	–	–
Rental payables	182,372	180,969	–	–
Other tax payables	21,743	12,857	–	–
Deferred income (b)	35,139	33,010	–	–
Accrued wages and salaries	20,233	22,701	–	237
Amounts due to subsidiaries	–	–	96,333	82,913
Amount due to related parties (Note 30 (c(ii)))	156	81	–	–
Advances from suppliers	5,864	5,970	–	–
Advances received from customers (c)	337,293	382,142	–	–
Other payables and accruals	123,063	102,669	–	–
	953,058	1,044,445	96,333	83,150

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

25. Trade and other payables *(continued)*

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

	2014 RMB'000	2013 RMB'000
0 – 30 days	89,089	124,418
31 – 60 days	51,942	69,091
61 – 90 days	16,810	15,413
91 – 365 days	33,389	51,902
1 year – 2 years	4,992	35,843
2 years – 3 years	23,596	7,128
Over 3 years	7,377	251
	227,195	304,046

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

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

26. Borrowings

	Group	
	2014 RMB'000	2013 RMB'000
Bank borrowings, secured	236,661	235,869

At 31 December 2014, the bank borrowings were denominated in Hong Kong dollar and subject to an annual average interest rate of 1.047% (2013: 0.882%). The bank borrowings were repayable within one year and secured by the pledged deposits of RMB387,642,000 (2013: RMB388,439,000) (Note 21(a)).

The fair value of the borrowings approximated their carrying amount.

27. Investment in and amounts due from subsidiaries – Company

(a) Investments in subsidiaries

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	107,380	107,380

Name	Place of incorporation/ operation and type of legal entity	Principal activities	Particulars of issued share capital	Equity interest held Direct	Indirect
Shirble Department Store Investment Limited ("**Shirble Hong Kong**")	Hong Kong, limited liability company	Investment holding	HKD1	100%	–
Shirble Department Store (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding	USD1,200	–	100%
Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Shenzhen**")	the PRC, wholly foreign owned enterprises	Operation and management of department stores	HKD460,000,000	–	100%
Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**")	the PRC, limited liability company	Operation and management of department stores	RMB10,000,000	–	100%
Changsha Shirble Department Store Limited Liability Company	the PRC, limited liability company	Operation and management of department stores	RMB30,000,000	–	100%
Changsha Shirble Apparel Company Limited	the PRC, limited liability company	Selling merchandise and apparels	RMB100,000	–	100%
Shirble Mingxing Trading Company Limited	the PRC, limited liability company	Selling merchandise	RMB100,000	–	100%
Shenzhen Xiangzhixuan Trading Company Limited	the PRC, limited liability company	Selling merchandise	RMB100,000	–	100%
Shenzhen Ruizhuo Trading Company Limited	the PRC, limited liability company	Selling merchandise	RMB100,000	–	100%
Shenzhen Yuzhixiang Trading Company Limited	the PRC, limited liability company	Selling merchandise	RMB1,000,000	–	100%
Dongguan Shirble Department Store Co., Ltd	the PRC, limited liability company	Operation and management of department stores	RMB30,000,000	–	100%
Shanwei Shirble Department Store Co., Ltd	the PRC, wholly foreign owned enterprises	Operation and management of department stores	HKD230,000,000	–	100%
Luhe Shirble Department Store Co., Ltd ("**Luhe Shirble**")	the PRC, wholly foreign owned enterprises	Operation and management of department stores	RMB200,000,000	–	100%
LuFeng Shirble Department Store Co., Ltd. ("**Lufeng Shirble**")	the PRC, wholly foreign owned enterprises	Operation and management of department stores	RMB10,000,000	–	100%

27. Investment in and amounts due from subsidiaries – Company *(continued)*

(b) Amounts due from subsidiaries

	2014 RMB'000	2013 RMB'000
Amounts due from subsidiaries – non-current	690,041	680,041

Amounts due from subsidiaries are unsecured, interest free, denominated in RMB and repayable beyond one year.

28. Cash generated from operations

Reconciliation of profit/(loss) before income tax to cash generated from operations is set out as below:

	2014 RMB'000	2013 RMB'000
Profit/(loss) before income tax	48,483	(217,191)
Adjustments for:		
– Depreciation (Note 16)	44,910	59,240
– Amortisation of intangible assets (Note 17)	2,599	4,077
– Impairment of loss (Note 7)	–	139,158
– (Write back)/allowance for prepayments and other receivables	(45)	1,149
– Write back of impairment allowance for tendering deposits (Note 7)	–	(10,000)
– Loss on disposal of property, plant and equipment (Note 7)	4,409	633
– Interest income (Note 10)	(26,188)	(27,194)
– Interest expense (Note 10)	2,478	2,080
– Changes in working capital (excluding the effect of acquisition and currency translation differences on consolidation)		
– Inventories	43,803	32,787
– Trade and other receivables	(2,106)	41,571
– Trade and other payables	(100,296)	(118,658)
Cash generated from operations	18,047	(92,348)

(a) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2014 RMB'000	2013 RMB'000
Net book amount (Note 16)	5,739	5,465
Loss on disposal of property, plant and equipment (Note 7)	(4,409)	(633)
Proceeds from disposal of property, plant and equipment	1,330	4,832

29. Commitments

(a) Capital commitments

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

	2014 RMB'000	2013 RMB'000
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	1,346	69,714

(b) Operating lease commitments – the Group as the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 RMB'000	2013 RMB'000
Land and buildings:		
Not later than 1 year	150,820	170,044
Later than 1 year and not later than 5 years	538,792	706,057
Over 5 years	1,096,160	1,698,486
	1,785,772	2,574,587

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 7 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.

(c) Operating lease commitments – the Group as the lessor

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	2014 RMB'000	2013 RMB'000
Land and buildings:		
Not later than 1 year	55,960	33,187
Later than 1 year and not later than 5 years	124,452	55,292
Over 5 years	102,361	14,511
	282,773	102,990

30. Related party transactions

The Group is controlled by Shirble Department Store Limited (incorporated in the BVI), which owns 66.6% of the shares in the Company. The ultimate parent of the Group is Xiang Rong Investment Limited (incorporated in the BVI). The ultimate controlling party of the Group is Mr YANG Xiangbo.

The following transactions were carried out with related parties:

Name	Relationship
Mr. YANG Xiangbo	One of the Controlling Shareholders
Shenzhen Ruizhuo Investment Development Company Limited ("**Ruizhuo Investment**")	Owned in equal shares by Mr. YANG Xiangbo's nephew and niece
Shenzhen Hengda Investment Development Company Limited ("**Shenzhen Hengda**")	Ultimately controlled by Mr. YANG Xiangbo
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
Shirble Property Management (Shenzhen) Co., Ltd. ("**Shirble Property Management**")	Controlled by Mr. YANG Xiangbo
Shirble Group (Shenzhen) Property Development Co., Ltd. ("**Shirble Property**")	Controlled by Mr. YANG Xiangbo
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
Lufeng Haige Restaurant Co., Ltd ("**Lufeng Haige**")	Wholly-owned by Shirble Inn, which is in turn ultimately controlled by Mr. YANG Xiangbo

The following transactions were carried out with related parties:

(a) Rental expenses to related parties

	2014 RMB'000	2013 RMB'000
Ruizhuo Investment	20	20
Shirble Inn	109	134
	129	154

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

30. Related party transactions *(continued)*

(b) Rental income from related parties

	2014 RMB'000	2013 RMB'000
Lufeng Haige	850	–

The Group entered into lease agreements in respect of properties with a related party of the Group for its use in its restaurant business.

(c) Balances with related parties

(i) Amount due from related parties

	2014 RMB'000	2013 RMB'000
Lufeng Haige	27	–

(ii) Amount due to related parties

	2014 RMB'000	2013 RMB'000
Ruizhuo Investment	101	81
Shirble Inn	55	–
	156	81

The outstanding balances with these related parties are unsecured, interest-free and repayable on demand.

(d) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9(a) and certain of the highest paid employees as disclosed in note 9(b), is as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries and allowances	11,143	9,659
Year-end bonuses	1,109	929
Contributions to the retirement scheme	52	28
Others	–	2,244
	12,304	12,860

31. Contingent liabilities

Certain suppliers have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As at 31 December 2014, the legal proceedings were ongoing. The Group has made a provision of approximately RMB8,088,000 (2013: RMB5,084,000), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

CORPORATE INFORMATION

Directors

Executive Directors:

YANG Xiangbo
YANG Ti Wei

Independent non-executive Directors:

ZHAO Jinlin
CHEN Fengliang
JIANG Hongkai
FOK Hei Yu

Audit committee of the Board

ZHAO Jinlin *(Chairperson)*
CHEN Fengliang
JIANG Hongkai
FOK Hei Yu

Remuneration committee of the Board

CHEN Fengliang *(Chairperson)*
YANG Xiangbo
JIANG Hongkai
FOK Hei Yu

Nomination committee of the Board

JIANG Hongkai *(Chairperson)*
YANG Xiangbo
ZHAO Jinlin
FOK Hei Yu

Company secretary

CHAN Chore Man, Germaine, CPA

Authorised representatives

YANG Xiangbo
CHAN Chore Man, Germaine, CPA

Auditor

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Hong Kong legal advisors

Squire Patton Boggs
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Principal bankers

In China

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

In Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
UBS AG

CORPORATE INFORMATION

Principal share registrar and transfer office in the Cayman Islands

Royal Bank of Canada Trust Company
(Cayman) Limited
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Grand Cayman KY1-1110
Cayman Islands

Hong Kong share registrar

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Shenzhen
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www.shirble.net

Stock code

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