Annual Report
2015

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

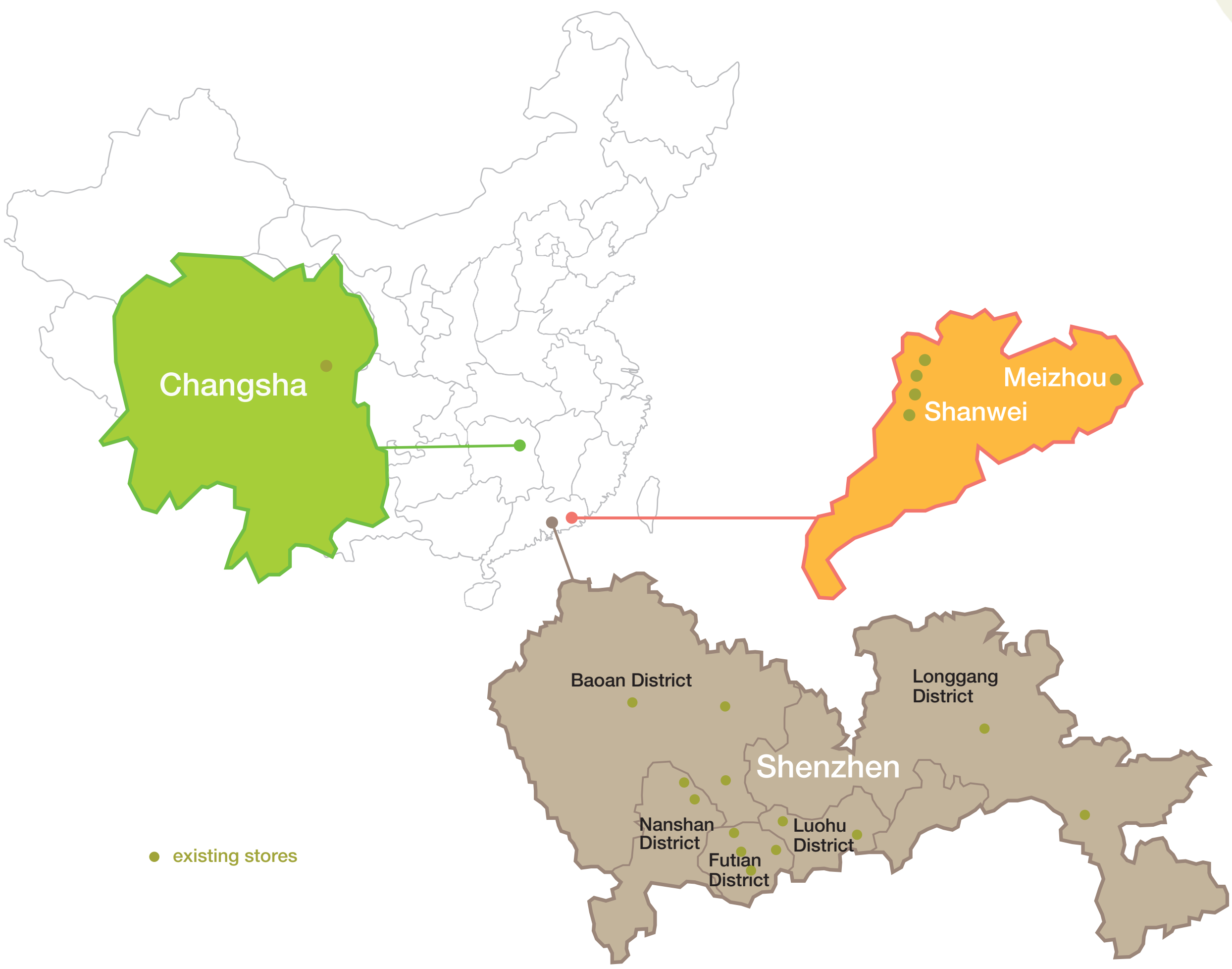
CONTENTS

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 at 31 December 2015, 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

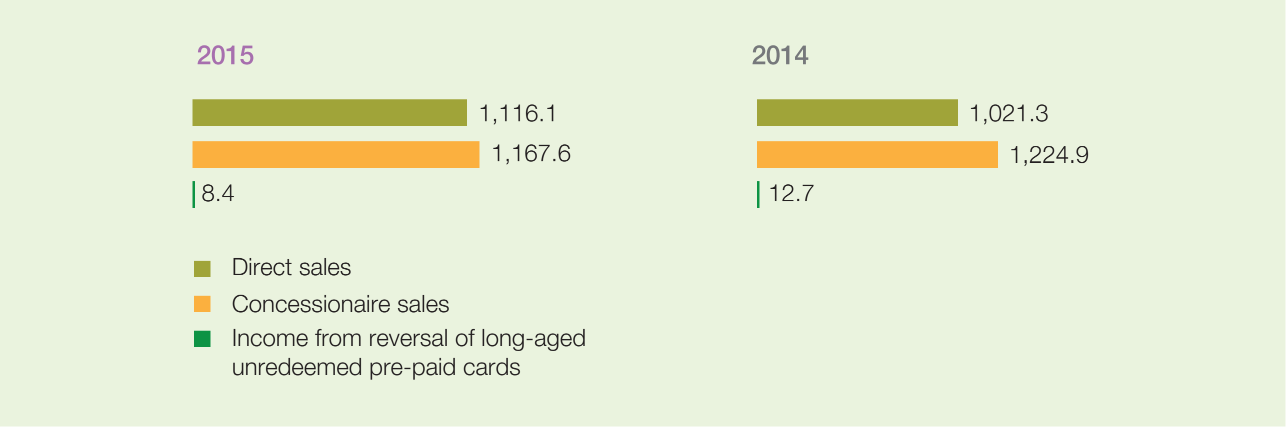
RMB'000	2015	2014	2013	2012	2011
		Year ended 31 December			
Revenue	1,389,455	1,268,733	1,356,502	1,372,030	1,433,586
Operating profit	46,789	24,773	(242,305)	(47,330)	95,043
Profit before income tax	75,048	48,483	(217,191)	(22,675)	114,999
Profit attributable to owners of the Company	50,219	32,774	(219,515)	(45,779)	71,632
Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share)					
– Basic and diluted	0.02	0.01	(0.09)	(0.02)	0.03

Assets, Liabilities and Equity

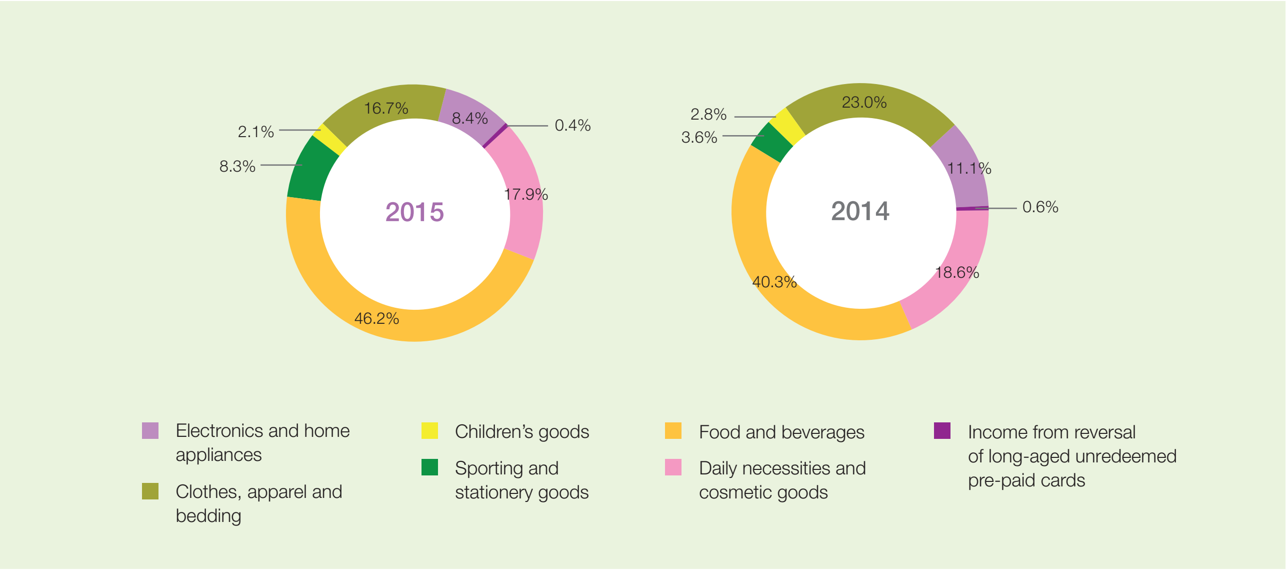
RMB'000	2015	2014	2013	2012	2011
		At 31 December			
Total assets	2,619,974	2,492,924	2,526,946	2,940,617	2,939,650
Total liabilities	1,327,061	1,232,286	1,307,477	1,501,831	1,384,481
Total equity	1,292,913	1,260,638	1,219,469	1,438,786	1,555,169

Gross sales proceeds – By Category

RMB (million)



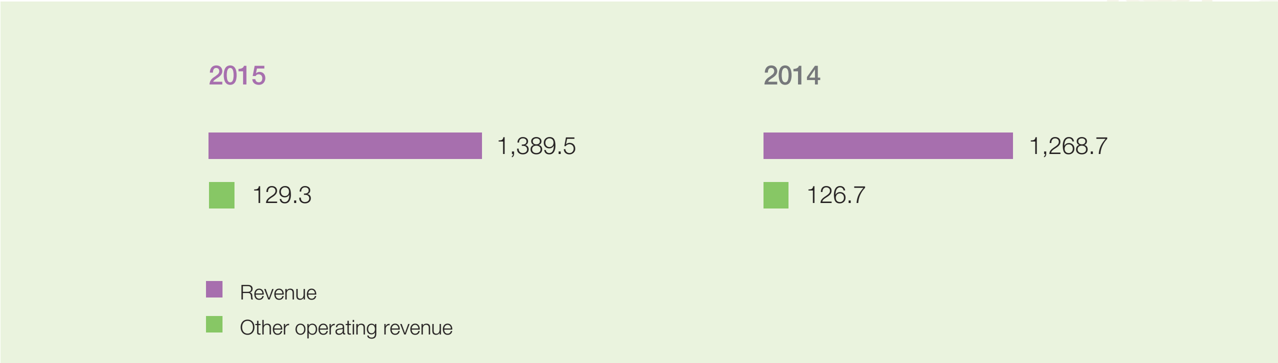
Gross sales proceeds – By Product Category



FINANCIAL HIGHLIGHTS

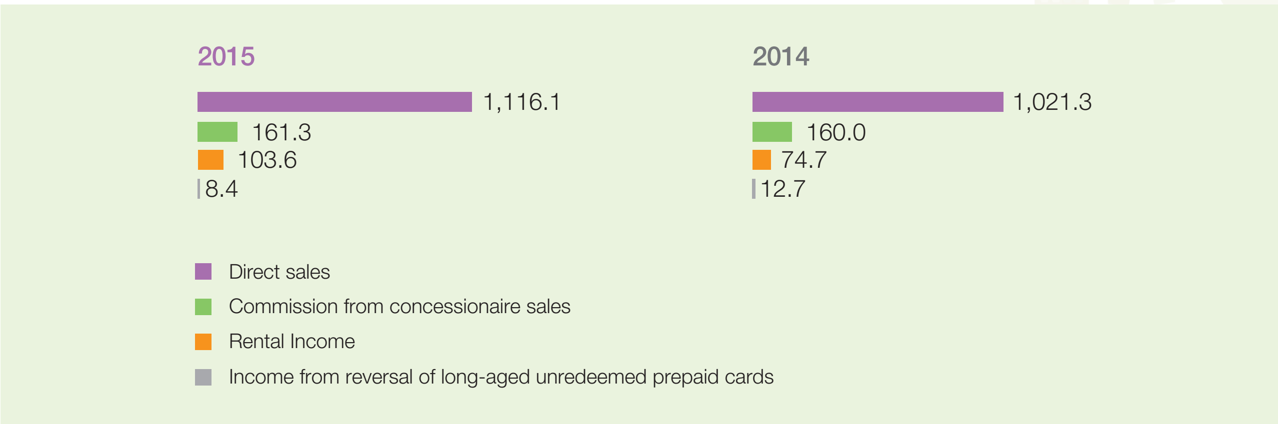
Revenue and Other Operating Revenue

RMB (million)



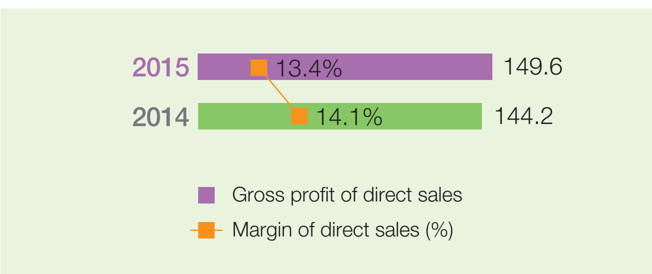
Revenue by Category

RMB (million)



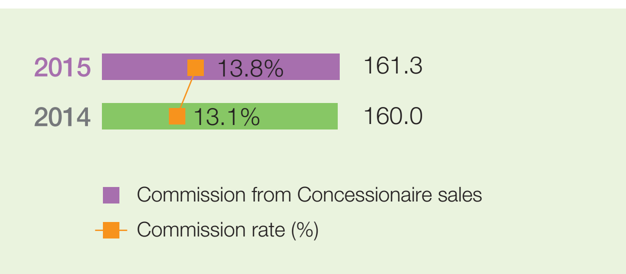
Gross Profit and Margin of Direct Sales

RMB (million)



Concessionaire Commission and Commission Rate

RMB (million)



CHAIRMAN'S STATEMENT

MARKET REVIEW

The PRC is expected to become the world's largest retail market in the coming years. Nonetheless, the performance of its domestic economy remained unsatisfactory in 2015 due to the PRC stock market crash and the weak exports as a result of less favourable global economic environment. Although the PRC government has launched a number of monetary and fiscal policies to stimulate its economy by shifting towards a consumption-driven economy, the growth of the PRC retail sector was slow in 2015 compared to the rapid growth during the beginning of the 2010s.

With the increasing use of mobile devices and the development of logistic networks in the PRC, the retail market landscape has changed recently from the traditional retail networks to e-commerce platforms. China has become the market with the highest total volume of online retail sales. The total gross sales amount of PRC online sales in 2015 is estimated to reach RMB12.9 trillion according to an announcement made by the Ministry of Industry and Information Technology of the PRC in November 2015.

The number of PRC online shoppers is expected to increase rapidly given the increasing use of mobile device and the convenience of e-commerce platforms. This development creates additional business opportunities to the retailers in the PRC.

BUSINESS REVIEW

Amidst the slow traditional retail market sector, the Group has strived to remain competitive through its continuous improvement in the operational efficiency and the launch of aggressive marketing campaigns. Since 2014, the Group has implemented a number of effective strategic and operational measures, resulting in organic sales growth and/or higher margins in different business sectors. For the year ended 31 December 2015, the Group has recorded an increase of 53.0% in profit amounting to RMB50.2 million from RMB32.8 million in 2014.

As at 31 December 2015, the Group operated a total of 19 department stores, covering a total gross floor area of 338,720.1 sq.m.. With the rapid development of the e-commerce platforms, the Group, being a branded retailer with a well-established store network in Guangdong Province, is well-positioned to tap the e-commerce market. To realise this opportunity, the Group will continue to focus on creating online sales channels, rather than expanding its store network in 2015. Through the establishment of its online-to-offline sales channels, the Group has expanded its target customer groups to cover a wider age group at different geographical locations which the Group previously had limited access because of the store network.

Establishment of online-to-offline sales channels

Following the successful trial run of the online sales through WeChat from late December 2014 to early 2015, the Group entered into a long-term strategic cooperation agreement with Jingdong Daojia ("京東到家") and other cooperation agreements with other e-commerce platforms in the second half of 2015 for the online-to-offline business model on the online stores and 10 of its department stores in Shenzhen, focusing mainly on supermarket merchandise. Since then, the Group has been recognised as one of the active players within this sector in Shenzhen with its brand and store network advantage.

Re-position of certain stores and restructure of store layout

To keep abreast of the constantly changing market environment, the Group has reviewed its market position of all of its department stores, and has re-defined the business model of the Hongling store and Hongbao store in Shenzhen, relocating the online-to-offline business model on the online stores and product arrangements so as to maximise the sales generated from the store floor area. Certain areas have been subleased/leased to third parties, which have been developed into two boutique hotels and an office, with the benefits of increasing both the rental income and the customer flow at those two stores.

CHAIRMAN'S STATEMENT

For other stores of the Group, especially Haifeng store in Shanwei where the Group has substantially expanded its leased areas to introduce new ancillary facilities, such as children's playgrounds, restaurants and cinemas, the refined store layout has successfully increased the customer flow. Based on these successful arrangements, the Group continues to evaluate new or additional features to be offered and new activities to be launched at its stores to enhance the customers' shopping experience.

Development of direct procurement platform

In order to optimise its product mix to fulfill the demand of different customers, the Group has increased the percentage of the merchandise of fresh food and imported goods. As a result, the Group launched an increasing percentage of healthy food products and foreign-branded products during the year.

In the first half of 2015, the Group entered into a memorandum of understanding and a sales and purchase agreement with a leading Ukraine-based enterprise for an exclusive right to import and distribute branded edible sunflower seed oil products in the PRC. The Group has also entered into a cooperation agreement with an organic farmhouse in the PRC for the supply of quality fresh vegetables free from chemical fertilizer and pesticides at competitive prices. Special products such as Chinese-medicine flavored chicken, imported pasta and fruit juices have also been directly procured to enrich the Group's product mix.

All of these exclusive or special products are distributed through the Group's department stores. Special workshops (namely "**Shirble Kitchen**") and marketing activities have been arranged at the Group's stores to promote these products. The Group plans to commence its wholesale channel in the next stage to distribute these kind of products and continues to add more quality items with higher profitability to increase its margins.

Corporate initiatives to enhance efficiency and performance

In 2014, the Group introduced a new key performance indicators' assessment scheme to selected departments, which has successfully boosted the performance despite the stagnant market environment. Thus, this assessment scheme has been extended to cover other departments in 2015 with a view to improve the Group's overall profitability. The Group intends to review its ongoing corporate initiatives in order to create a more effective and efficient performance evaluation system.

Complementing the new assessment scheme, the Group has also granted the rights to receive 32,502,000 Shares in 2015 pursuant to the Group's share award scheme to a total of 88 employees. The Group believes that the scheme provides an incentive to reward the employees for their contributions to the business and development of the Group, as well as to retain these employees.

Training is essential for retail staff to provide consistently high quality and attentive service. Towards that end, the Group has also provided regular in-store training for its staff on customer services techniques, the latest market information and retail sales strategies.

BUSINESS OUTLOOK

Debut of i-Shirble online platform

Following the success of the first stage of its online business, the Group has debuted its own i-Shirble (shirble) online platform since March 2016. The i-Shirble online platform includes both the desktop version and the mobile apps. The Group will promote the i-Shirble online platform through a series of in-store marketing activities to encourage offline-to-online sales, attracting customers from different demographic segments and locations. Upon the full operation of the i-Shirble online platform, the Group will also explore the potential of cross-border e-commerce sales to introduce a wider range of import products to enrich its merchandise mix.

Celebration of the Group's 20th anniversary

Established in 1996 in Shenzhen, the Group will celebrate its 20th anniversary in 2016. To mark this milestone, the Group will launch a series of featured marketing campaigns. Special promotions including cash rebates of up to RMB5,000 per individual, membership privileges for purchases exceeding a certain amount, social dating activities such as couple treasure hunts, and restaurant coupon redemption will be rolled out to boost sales and customer flow.

Store expansion and renovation plan

In view of the rapid development of e-commerce market and the relatively stagnant growth of the traditional retail market, the Group will carry out its store expansion plan prudently. Depending on the market conditions, it will open a new department store in 2016 within a three-storey building in Yitian, Futian District of Shenzhen with a gross floor area of approximately 17,500.0 sq.m. Operating under another brand name, this new store will be positioned as a more trendy shopping mall targeting customers with higher spending power by introducing more international and trendy brands and products. Due to uncertainties in the market development in Longhua New District, the opening plan for the group's other store, the Nankang Store, will be subject to further assessment of the market sentiment and the performance of the other new department store.

To focus on the enhancement of the shopping experience for customers, the Group plans to modify and improve the store layout of certain stores in order to bring to customers new shopping experiences and convenience.

Refinement of office automation system and suppliers' settlement management system

The Group introduces an office automation system to upgrade all manual internal procedures and approvals to be processed online. Upon the migration of all business operations procedures, the Group plans to refine its office automation system to include a more systematic suppliers' settlement management system in 2016 to enhance operational efficiency and maintain a strong cashflow.

Category management

In 2016, the Group intends to conduct an overall category management review to refine the Group's product mix, including decreasing the number of stock-keeping units ("**SKUs**") from approximately 18,000 to 15,000 units, introducing additional new product categories with a focus on quality export or special products. The Group believes that through the category management review, its overall sales and profitability will be improved.

CHAIRMAN'S STATEMENT

Establishment of wholesale/import and export business

Following the procurement of more special products or products with exclusive distribution rights, the Group has set up a team dedicated to develop its wholesale/import and export business. The Group believes that this new business segment would not only be an opportunity to tap into a high-margin business segment by utilizing its established physical and online sales channels, but would also introduce the Group to regions and customers outside its current footprint concentrated in Guangdong province.

New business development and potential investment opportunities

The Directors will continue to explore and evaluate new business and investment opportunities in the retail and related sectors that could create synergies with the existing business of the Group and would be in the interest of the Shareholders.

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 must also be extend to the Group's partners and customers for their continuous support. I wish to further thank all of the shareholders and investors of the Company for their confidence in the Group, and is confident that the business of the Group will continue to grow steadily.

YANG Xiangbo
Chairman
22 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total gross sales proceeds

During the year ended 31 December 2015, the Group's total gross sales proceeds (representing the aggregate of (a) revenue from direct sales of the Group, (b) total sales proceeds from concessionaire sales at the Group's department stores and (c) income from reversal of deferred income in respect of long aged unredeemed prepaid cards) were RMB2,292.1 million, representing an increase of 1.5% from RMB2,258.9 million in 2014. The increase in total gross sales proceeds was principally due to increase in sales as a result of improvement in overall operational efficiency.

Revenue generated from direct sales of the Group amounted to RMB1,116.1 million and the total sales proceeds from concessionaire sales amounted to RMB1,167.6 million, accounting for 48.7% and 50.9%, respectively, of the Group's total gross sales proceeds for the year ended 31 December 2015. For the year ended 31 December 2014, revenue from direct sales amounted to RMB1,021.3 million, while the total sales proceeds from concessionaires sales amounted to RMB1,224.9 million, accounted for 45.2% and 54.2% respectively of the Group's total gross sales proceeds.

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

	For the year ended 31 December			
	2015		2014	
	RMB' million	(%)	RMB' million	(%)
Food and beverages	1,059.1	46.2	910.9	40.3
Clothes, apparel and bedding	383.0	16.7	520.0	23.0
Daily necessities and cosmetic goods	411.2	17.9	420.6	18.6
Electronics and home appliances	191.2	8.4	251.3	11.1
Sporting and stationery goods	191.0	8.3	81.3	3.6
Children's goods	48.2	2.1	62.1	2.8
Income from reversal of long-aged pre-paid gift cards	8.4	0.4	12.7	0.6
	2,292.1	100.0	2,258.9	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's revenue amounted to RMB1,389.5 million for the year ended 31 December 2015, representing an increase of 9.5% as compared to RMB1,268.7 million in 2014. The increase was principally due to additional rental income received, as well as organic growth of the direct sales and concessionaire sales.

Direct sales increased by 9.3% to RMB1,116.1 million for the year ended 31 December 2015 from RMB1,021.3 million in 2014, principally due to improvement in supermarket product mix and promotion of group purchases. Direct sales as a percentage of the Group's total revenue was 80.3% for the year ended 31 December 2015 as compared to 80.5% for the year ended 31 December 2014.

Commission from concessionaire sales increased by 0.8% to RMB161.3 million for the year ended 31 December 2015 from RMB160.0 million in 2014, mainly due to higher commission rate achieved upon enhancement of the concessionaires selection and renewal process. The commission rate of concessionaire sales was 13.8% as compared to 13.1% in 2014. Commission from concessionaire sales accounted for 11.6% of the Group's total revenue for the year ended 31 December 2015 as compared to 12.6% in 2014.

Rental income increased by 38.7% to RMB103.6 million for the year ended 31 December 2015 from RMB74.7 million in 2014, mainly due to the increase in the proportion of leased/sub-leased area for complementary facilities in different stores as a result of the restructuring of store layout plan. Rental income accounted for 7.5% of the Group's total revenue for the year ended 31 December 2015 as compared to 5.9% in 2014.

Income from reversal of long-aged unredeemed pre-paid cards decreased by 33.9% to RMB8.4 million for the year ended 31 December 2015 from RMB12.7 million in 2014 due to the decrease in pre-paid card issuance in past years.

Other operating revenue

Other operating revenue increased by 2.1% to RMB129.3 million for the year ended 31 December 2015 from RMB126.7 million in 2014, mainly due to an increase in credit card handling fees for concessionaire sales as a result of higher commission rate.

Other gain, net

Other net gain amounted to RMB3.2 million for the year ended 31 December 2015 as compared with RMB3.6 million in 2014, mainly due to the fair value revaluation gains from the investment properties of RMB4.6 million, and investment gain of RMB5.2 million from redemptions on maturity and disposals of available-for-sale financial assets, offset by the provision for legal claims of RMB6.0 million in 2015 and loss in disposals of property, plant and equipment of RMB3.7 million.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB966.5 million for the year ended 31 December 2015, representing an increase of 10.2% as compared with RMB877.1 million in 2014, which is in line with the increase in direct sales. Purchase of and changes in inventories accounted for 86.6% of the Group's direct sales for the year ended 31 December 2015 as compared with 85.9% in 2014.

Employee benefits

Employee benefits increased by 4.4% to RMB186.3 million for the year ended 31 December 2015 from RMB178.5 million in 2014, primarily due to the new store opened in the second half of 2014 as well as additional staff cost incurred for new KPI assessment scheme and share award scheme implemented in 2015.

Depreciation and amortization

Depreciation and amortization increased slightly by 2.1% to RMB48.5 million for the year ended 31 December 2015 from RMB47.5 million in 2014 mainly due to the relocation of both Hong Kong and PRC principal place of business.

Operating lease rental expenses

Operating lease rental expenses increased by 4.3% to RMB151.6 million for the year ended 31 December 2015 from RMB145.3 million in 2014. The increase was principally attributable to the one-off write-back adjustments as a result of the closure and sub-leasing of certain department stores in Dongguan in first half of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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, decreased by 2.9% to RMB122.2 million for the year ended 31 December 2015 from RMB125.9 million in 2014. This was primarily due to the efficient cost controls and savings for the existing stores and head office.

Operating profit

As a result of the reasons mentioned above, the Group's operating profit amounted increased by 88.7% to RMB46.8 million for the year ended 31 December 2015 from RMB24.8 million in 2014.

Finance income

Finance income increased by 19.8% to RMB31.4 million for the year ended 31 December 2015 from RMB26.2 million in 2014 primarily as a result of the higher interest income earned from bank deposits and cash and cash equivalent.

Finance costs

Finance costs increased by 28.0% to RMB3.2 million for the year ended 31 December 2015 from RMB2.5 million in 2014 which was primarily as a result of an increase in interest rate and higher outstanding borrowings due to unfavourable exchange rate movements.

Income tax expense

Income tax expense amounted to RMB24.8 million for the year ended 31 December 2015, representing an increase of 58.0% from RMB15.7 million in 2014. The effective tax rate applicable to the Group for the year ended 31 December 2015 was 25%. In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by subsidiaries established in China. The applicable tax rate for the Group is 5%.

Profit attributable to equity shareholders of the Company

As a result of the aforementioned, profit attributable to Shareholders amounted to RMB50.2 million for the year ended 31 December 2015, representing an increase of 53.0% as compared with the profit of RMB32.8 million in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's cash and cash equivalents and bank deposits amounted to RMB1,560.9 million, representing an increase of 5.0% from RMB1,485.9 million as at 31 December 2014. The cash and cash equivalents and bank deposits, which were in RMB and Hong Kong dollars, were deposited with banks in the PRC and Hong Kong for interest income.

As at 31 December 2015, the Group's outstanding bank borrowings amounted to RMB251.3 million (31 December 2014: RMB236.7 million). The borrowings are denominated in Hong Kong dollars with average interest rate of 1.321% per annum (31 December 2014: 1.047%). Restricted bank deposit of RMB394.8 million (31 December 2014: RMB387.6 million) were pledged to bank to secure the borrowings.

The gearing ratio of the Group expressed as a percentage of interest-bearing bank loans over the total assets was 9.6% as at 31 December 2015 (31 December 2014: 9.5%). 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 at 31 December 2015 were RMB530.5 million (31 December 2014: RMB484.1 million), representing an increase of 9.6%. The net assets of the Group as at 31 December 2015 increased to RMB1,292.9 million (31 December 2014: RMB1,260.6 million), representing an increase of 2.6%.

Foreign exchange exposure

The business operation 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 all its borrowings are denominated in Hong Kong dollars. The Company paid dividends in Hong Kong dollars. These transactions exposed the Group to foreign exchange risks arising from the exchange rate movement of Hong Kong dollars against RMB. For the year ended 31 December 2015, the Group recorded a net foreign exchange loss of RMB13.2 million. For the year ended 31 December 2014, the Group recorded a net foreign exchange loss 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 at 31 December 2015, the total number of employees of the Group was 2,283. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

To recognise and reward the eligible employees for their contributions to the business and development of the Group, the Company has adopted an employee's share award scheme on 22 January 2014. On 13 July 2015, the rights to receive 18,672,000 Shares have been granted to 28 eligible employees pursuant to the employee's share award scheme. Subsequently, on 17 December 2015, the rights to receive an additional 13,830,000 Shares have been granted to 60 eligible employees. As approved by the Board under the share award scheme, the aggregate of 32,502,000 Shares and the related income will be vested to the relevant employees during a period of three years commencing from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively.

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 of 31 December 2015, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB14,084,000 (2014: RMB8,088,000), which the Directors believe is adequate to cover the Group's liabilities, if any, payable in respect of these claims.

Material acquisition 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 53, 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 29, 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), Baotong (BVI) Company Limited and Baotong E-commence (Hong Kong) Company Limited, 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, and a legal representative of Shenzhen Qianhai Baotang E-commence Company Limited. 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.

Independent non-executive Directors

Ms. ZHAO Jinlin, *Chairperson of the Audit Committee and a member of the Nomination Committee*
Ms. ZHAO Jinlin, aged 47, 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 was appointed as an independent non-executive director of Shenzhen Infinova Limited, a company listed in Shenzhen Stock Exchange (SZSE:002528). In March 2014, Ms. ZHAO was also appointed as an independent non-executive director of ESUN, another company listed in Shenzhen Stock Exchange (SZSE:002751). In December 2014, Ms. ZHAO was appointed as an independent non-executive director of NNK Group Limited (Stock code: 3773).

Mr. CHEN Fengliang, *Chairperson of the Remuneration Committee and a member of the Audit Committee*
Mr. CHEN Fengliang, aged 42, 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 50, 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 45, 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 56, was 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. In May 2013, Mr. LAM was appointed as an independent non-executive director of S. Culture International Holdings Limited (Stock Code: 1255). In February 2016, he was also appointed as the independent non-executive director of Veeko International Holdings Limited (Stock code: 1173). 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 36, 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 44, 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 2015.

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 2015 are set out in the consolidated statement of comprehensive income on page 37 of this report.

Proposed final dividends

The Board has proposed the declaration of a final dividend of RMB0.0024 (equivalent to approximately HKD0.0028) per Share or in the total amount of RMB5.9 million (equivalent to approximately HKD7.1 million) for the year ended 31 December 2015 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 2015.

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 2015 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 17 June 2016 to the Shareholders whose name appears on the register of members of the Company at the close of business on 2 June 2016.

Investment properties

Details of movements in investment properties during the year are set out in note 14 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 15 to the consolidated financial statements.

Share capital

Details of the Company's authorised and issued share capital as of 31 December 2015 are set out in note 24 to the consolidated financial statements.

DIRECTOR'S REPORT

Reserves

As at 31 December 2015, distributable reserves of the Company included the Company's accumulated loss in the amount of RMB9.1 million and the Company's share premium in the amount of RMB877.0 million. Details of the movements in reserves of the Company and the Group during the year under review are set out in notes 26 to 27 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 2015.

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 *(Chief Executive Officer)*

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. FOK Hei Yu will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer himself 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 a 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 2016 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 at 31 December 2015, 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%
Mr. YANG Ti Wei	Beneficial owner	2,490,000	0.09%

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 at 31 December 2015, 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 2015.

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

As at 31 December 2015, 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 2015, 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.

On 13 July 2015, the rights to receive 18,672,000 Shares have been granted to 28 eligible employees pursuant to the employee's share award scheme. Subsequently, on 17 December 2015, the rights to receive an additional 13,830,000 Shares have been granted to 60 eligible employees. As approved by the Board under the share award scheme, the aggregate of 32,502,000 Shares and the related income will be vested to the relevant employees during a period of three years commencing from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively.

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 2015, 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 2015.

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 33 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 2015, the amount paid under the restaurant operation agreement amounted to RMB3,000,000 (equivalent to HK$3,726,890), which was within the applicable annual cap of HK$6,074,831 for 2015.

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed and confirmed that the above continuing connected transaction was:

(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.

The Board has engaged the auditors of the Company (the "Auditors") 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.

In accordance with Rule 14A.56 of the Listing Rules, the Board has received a letter from the auditors of the Company stating that:

a) nothing has come to the Auditor's attention that causes the Auditors to believe that the above continuing connected transaction has not been approved by the Company's Board of Directors.

b) for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes the Auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c) nothing has come to the Auditor's attention that causes the Auditors to believe that the above transaction was not entered into, in all material respects, in accordance with the relevant agreements governing such transaction.

d) with respect to the aggregate amount of the above continuing connected transaction, nothing has come to the Auditor's attention that causes the Auditors to believe that the above continuing connected transaction has exceeded the annual cap set by the Company.

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, 16 July 2013 and 20 March 2016 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 2016 until 30 April 2019 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 2016, 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 2016 to 9 January 2019 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 2015, the aggregate annual rental paid under the lease agreements with Shirble Inn and Ruizhuo Investment amounted to RMB36,000. 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 2015.

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 2015. None of the Directors or shareholders who owned 5% or more of the issued shares capital of the Company as of 31 December 2015 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 2015.

Bank loans and other borrowings

As of 31 December 2015, the Group had bank loans and other borrowings in the amount of RMB251.3 million (2014: RMB236.7 million). Particulars of the bank loans and other borrowings are set out in note 29 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 2015 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 33 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.

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

22 March 2016

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 2015, 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 at 31 December 2015, 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 14 to 16 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 31 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 2016 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 2015.

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 (Chairperson), 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 2015.

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 employee's share award scheme, 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 and members of senior management.

Pursuant to code provision B.1.5 of the CG Code, the details of the annual remuneration of the members of the senior management by band for the year ended 31 December 2015 are set forth as follows:

The emoluments fell within the following bands:

	Number of individuals	
	2015	**2014**
Emolument band		
HKD1,000,001 – HKD1,500,000	–	2
HKD1,500,001 – HKD2,000,000	1	–
HKD2,000,001 – HKD2,500,000	1	–
HKD6,500,001 – HKD7,000,000	1	1

Details of the director's emoluments are set out in note 37 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 2015 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	7/8	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	7/8	3/3	3/4	–

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 2015, 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 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 in the 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 November 2014, the Group appointed a reputable 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 has been reported to the Board in stages in 2015. In August 2015, the Group also appointed the same accounting firm to conduct a review on the Group's risk assessment and internal control which reported its progress to the Audit Committee and Board in December 2015. The Audit Committee and the internal audit department followed up with the Company on the suggestions from the accounting firm. 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 2015.

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 2015 is set out in note 8 of this report.

During the year ended 31 December 2015, the Auditors' remuneration was RMB5.0 million in total, comprising RMB4.3 million and RMB0.7 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.

CORPORATE GOVERNANCE REPORT

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 2015.

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 6509, 65/F
Central Plaza
18 Harbour 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.

INDEPENDENT AUDITOR'S REPORT

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 set out on pages 36 to 94, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, 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 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	5	1,389,455	1,268,733
Other operating revenue	6	129,285	126,746
Other gains, net	7	3,216	3,558
Purchase of and changes in inventories	8,21	(966,506)	(877,117)
Employee benefits	8,9	(186,323)	(178,477)
Depreciation and amortisation	8	(48,500)	(47,509)
Operating lease rental expenses	8	(151,614)	(145,293)
Other operating expenses, net	8	(122,224)	(125,868)
Operating profit		46,789	24,773
Finance income	10	31,449	26,188
Finance costs	10	(3,190)	(2,478)
Finance income – net	10	28,259	23,710
Profit before income tax		75,048	48,483
Income tax expense	12	(24,829)	(15,709)
Profit for the year		50,219	32,774
Profit attributable to:			
Owners of the Company		50,219	32,774
Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic	13(a)	0.02	0.01
– Diluted	13(b)	0.02	0.01

The notes on pages 43 to 94 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Profit for the year	50,219	32,774
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Change in fair value of investment properties upon transfer, net of tax	12,003	8,407
Item that may be reclassified to profit or loss		
Fair value change on available-for-sale financial assets, net of tax	(19)	–
Currency translation differences	(659)	(12)
Other comprehensive income for the year	11,325	8,395
Total comprehensive income for the year	61,544	41,169
Attributable to:		
Owners of the Company	61,544	41,169

The notes on pages 43 to 94 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Investment properties	14	159,700	64,000
Property, plant and equipment	15	498,928	613,285
Intangible assets	16	18,240	19,664
Deferred income tax assets	18	50,583	51,481
Other receivables and prepayments	20	45,654	31,320
		773,105	779,750
Current assets			
Inventories	21	165,642	176,132
Available-for-sale financial assets	19	37,265	–
Trade receivables, other receivables and prepayments	20	83,051	51,114
Bank deposits	22	607,533	931,118
Cash and cash equivalents	23	953,378	554,810
		1,846,869	1,713,174
Total assets		2,619,974	2,492,924
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	213,908	213,908
Share premium	24	876,986	894,338
Shares held for share award scheme	24	(14,531)	–
Other reserves	26	225,621	208,429
Accumulated loss	27	(9,071)	(56,037)
Total equity		1,292,913	1,260,638

	Note	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	18	10,729	3,251
Current liabilities			
Trade and other payables	28	1,008,934	953,058
Income tax payable		56,058	39,316
Borrowings	29	251,340	236,661
		1,316,332	1,229,035
Total liabilities		1,327,061	1,232,286
Total equity and liabilities		2,619,974	2,492,924

The notes on pages 43 to 94 are an integral part of these consolidated financial statements.

The financial statements on pages 36 to 94 were approved by the Board of Directors on 22 March 2016 and were signed on its behalf.

YANG Xiangbo
Director

YANG Ti Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Accumulated loss RMB'000	Total equity RMB'000
Balance at 1 January 2015	213,908	894,338	–	208,429	(56,037)	1,260,638
Comprehensive income						
Profit for the year	–	–	–	–	50,219	50,219
Other comprehensive income						
Changes in fair value of available-for-sale financial assets, net (Note 26)	–	–	–	(19)	–	(19)
Revaluation of property, plant and equipment transfer to investment properties, net of tax (Note 26)	–	–	–	12,003	–	12,003
Currency translation differences	–	–	–	(659)	–	(659)
Total other comprehensive income	–	–	–	11,325	–	11,325
Total comprehensive income	–	–	–	11,325	50,219	61,544
Transaction with owners						
Employee share award scheme:						
– Value of employee services (Note 26)	–	–	–	2,614	–	2,614
– Shares purchased for share award scheme (Note 24)	–	–	(14,531)	–	–	(14,531)
Dividend (Note 30)	–	(17,352)	–	–	–	(17,352)
Appropriation to reserves	–	–	–	3,253	(3,253)	–
Total transactions with owners	–	(17,352)	(14,531)	5,867	(3,253)	(29,269)
Balance at 31 December 2015	213,908	876,986	(14,531)	225,621	(9,071)	1,292,913

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme 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						
Revaluation of property, plant and equipment transfer to investment properties, net of tax (Note 26)	–	–	–	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

The notes on pages 43 to 94 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	150,388	18,047
Interest paid		(3,190)	(2,505)
Income tax paid		(3,712)	(455)
Net cash generated from operating activities		143,486	15,087
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and other non-current assets		(33,622)	(104,965)
Purchase of available-for-sale financial assets		(518,520)	–
Proceeds from redemptions on maturity and disposals of available-for-sale financial assets		487,127	–
Proceeds from disposals of property, plant and equipment	31	114	1,330
Increase in bank deposits with initial term of over three months		(212,687)	(543,476)
Decrease in bank deposits with initial term of over three months		543,476	530,568
(Increase)/decrease in restricted bank deposits		(7,204)	797
Interest received		29,213	28,444
Net cash generated from/(used in) investing activities		287,897	(87,302)
Cash flows from financing activities			
Proceeds from borrowings		251,340	236,661
Repayments of borrowings		(236,661)	(235,869)
Payments for the share purchase for the employees' share award scheme		(29,033)	–
Dividends paid to the Company's shareholders		(17,352)	–
Net cash (used in)/generated from financing activities		(31,706)	792
Net increase/(decrease) in cash and cash equivalents		399,677	(71,423)
Cash and cash equivalents at beginning of year		554,810	626,291
Effect of changes in foreign exchange rate		(1,109)	(58)
Cash and cash equivalents at end of year	23	953,378	554,810

The notes on pages 43 to 94 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 (the "**Board**") on 22 March 2016.

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

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- Amendments from annual improvements to IFRSs – 2010 – 2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

- Amendments from annual improvements to IFRSs – 2011 – 2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The new and amended standards are not material to the Group.

(ii) 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 during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

2.1 Basis of preparation *(continued)*

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

  Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

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

2.1 Basis of preparation *(continued)*

(iii) New standards and interpretations not yet adopted *(continued)*

- IFRS 16, 'Lease' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The Group is currently assessing the impact of IFRS 16.

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.

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 unless the transaction provides evidence of an impairment of the transferred asset. 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.

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

2.2 Subsidiaries *(continued)*

(i) Consolidation *(continued)*

(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.

(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 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 People's Republic of China ("**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. Summary of significant accounting policies *(continued)*

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'.

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

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%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

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. Summary of significant accounting policies *(continued)*

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. Changes in fair values are recorded in the 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 and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management of the Group determines the classification of its financial assets at initial recognition. For the year ended 31 December 2015, the Group only had loans and receivables and available-for-sale financial assets.

(a) 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).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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

2.9 Financial assets *(continued)*

(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 are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group’s right to receive payments is established.

2.10 Impairment of financial assets

(a) 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.

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

2.10 Impairment of financial assets *(continued)*

(a) Assets carried at amortised cost *(continued)*

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.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through 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. Summary of significant accounting policies *(continued)*

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.

2.13 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 and other short-term highly liquid investments with original maturities of three months or less.

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. Summary of significant accounting policies *(continued)*

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.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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.

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

2.18 Current and deferred income tax *(continued)*

(ii) Deferred income tax *(continued)*

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.

2.19 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 share 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.

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

2.19 Employee benefits *(continued)*

(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.

2.20 Share-based payments

Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

2.21 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.

2.22 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.

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

2.22 Revenue recognition *(continued)*

(b) Commission from concessionaire sales

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

(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. 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 concessionaries 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.

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

2.24 Dividend income

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

2.25 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.

2.26 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.

2.27 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.

2.28 Shares held for share award scheme

The consideration paid by the share scheme trust (see Note 24(b)) for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for share award scheme" and the amount is deducted from total equity.

When the share scheme trust transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for share award scheme", with a corresponding adjustment made to "Share premium".

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. 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 and US dollar 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 2015, if Renminbi had strengthened/weakened by 2% (2014: 2%) against the Hong Kong dollars with all other variables held constant, profit before tax for the year would have been approximately RMB4,845,000 (2014: RMB4,147,000) 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.

At 31 December 2015, if Renminbi had strengthened/weakened by 2% (2014: 2%) against the US dollars with all other variables held constant, profit before tax for the year would have been approximately RMB354,000 (2014: RMB nil) lower/higher mainly as a result of foreign exchange gains/losses on translation of US dollar-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 exchange 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 2015, except for the fixed term bank deposits of RMB212,687,000 (2014: RMB543,476,000), which were held at fixed interest rate of 2.32% per annum (2014: 3.26% per annum), and the restricted bank deposits of RMB394,846,000 (2014: RMB387,642,000), which were held at a weighted average interest rate of 0.85% per annum (2014: 0.5% 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 (2014: 0.01% to 3.14%). Borrowings at variable rates at 1.23% to 1.43% (2014: 0.96% to 1.24%), generally reset on a monthly basis, expose the Group to cash flow interest rate risk that is broadly offset by cash at bank 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 2015, 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, profit before tax for the year ended 31 December 2015 would have been approximately RMB1,047,000 (2014: RMB1,295,000) 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 2015, 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 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.

	2015 RMB'000	2014 RMB'000
Maturity less than 1 year:		
Borrowings (including interest payable upon maturity)	254,453	239,592
Other financial liabilities	568,484	524,698

(d) Capital 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, issue new shares or sell assets 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 2015 and 2014 were as follows:

	2015	2014
Total borrowings (Note 29)	251,340	236,661
Total equity	1,292,913	1,260,638
Debt-to-equity ratio	19%	19%

3. Financial risk management *(continued)*

(e) Fair value estimation

The table below analyses the Group's assets carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

31 December 2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
Wealth management products with variable return rate (Note 19)	–	37,265	–	37,265
Investment properties (Note 14)	–	–	159,700	159,700
	–	37,265	159,700	196,965

31 December 2014	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties (Note 14)	–	–	64,000	64,000

3. Financial risk management *(continued)*

(e) Fair value estimation *(continued)*

Specific valuation techniques used to value available-for-sales financial assets include:

- Quoted market prices or dealer quotes for similar financial instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

See Note 14 for the valuation techniques for investment properties.

Other than available-for-sales financial assets and investment properties, the Group did not have any significant assets and liabilities carried at fair value.

There were no transfers between Levels 1, 2 and 3 during the year (2014: Nil).

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.

(a) 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 repairs and maintenance expenses incurred by the Group. They could change significantly as a result of competitor actions in response to several 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.

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

(b) 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.

(c) 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.

(d) 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.

If the estimated discount rates or the growth rate assumptions in the cash flow projections had been 10% higher/lower than management's estimates, there is still no impairment indicated.

(e) 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 RMB840,000.

(f) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 14.

5. Revenue

	2015 RMB'000	2014 RMB'000
Direct sales	1,116,100	1,021,317
Commission from concessionaire sales	161,330	159,970
Rental income	103,628	74,705
Income from reversal of long-aged unredeemed prepaid cards	8,397	12,741
	1,389,455	1,268,733

6. Other operating revenue

	2015 RMB'000	2014 RMB'000
Promotion, administration and management income	114,118	116,785
Credit card handling fees for concessionaire sales	11,894	6,443
Others	3,273	3,518
	129,285	126,746

7. Other gains, net

	2015 RMB'000	2014 RMB'000
Investment gain from redemptions on maturity and disposals of available-for-sale financial assets (Note 26)	5,226	–
Gains from fair value adjustment on investment properties (Note 14)	4,600	–
Compensation for the contract damages	1,384	3,002
Loss on disposals of property, plant and equipment	(3,652)	(4,409)
Provision for legal claims (Note 34)	(5,996)	(3,004)
Provision for prepayment and other receivables	–	(490)
Relocation compensation	–	12,310
Loss on cancellation of lease contracts	–	(3,686)
Others	1,654	(165)
	3,216	3,558

8. Expenses by nature

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

	2015 RMB'000	2014 RMB'000
Purchase of and changes in inventories	966,506	877,117
Employee benefits expense (Note 9)	186,323	178,477
Operating lease rental expenses	151,614	145,293
Depreciation and amortisation	48,500	47,509
Utilities	40,621	47,297
Net foreign exchange loss	13,242	844
Transportation expenses	6,026	6,723
Office expenses	5,843	7,229
Bank charge fee	5,868	6,413
Other tax expenses	4,593	4,188
Auditor's remuneration		
– Audit services	4,322	4,471
– Non-audit services	655	350
Business travel expenses	3,831	3,849
Advertising costs	2,254	3,605
Other expenses	34,969	40,899
Total cost of sales, distribution expenses and administrative expenses	1,475,167	1,374,264

9. Employee benefits expense

	2015 RMB'000	2014 RMB'000
Wages and salaries	167,431	158,779
Social security costs	16,091	19,544
Share-based compensation expenses (Note 25)	2,614	–
Others	187	154
Total employee benefits expense	186,323	178,477

9. Employee benefits expense *(continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) directors whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining three (2014: three) individuals during the year are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	6,953	6,475
Year-end bonuses	1,390	1,109
Contributions to the retirement scheme	40	27
Share-based compensation expenses	800	–
	9,183	7,611

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument band		
HKD1,000,001 – HKD1,500,000	–	2
HKD1,500,001 – HKD2,000,000	1	–
HKD2,000,001 – HKD2,500,000	1	–
HKD6,500,001 – HKD7,000,000	1	1

10. Finance income, net

	2015 RMB'000	2014 RMB'000
Finance income		
Interest income from bank deposits	31,449	26,188
Finance costs		
Interest expenses	(3,190)	(2,478)
Finance income, net	28,259	23,710

11. Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2015.

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	Operation of department store	RMB100,000	–	100%
Shirble Mingxing Trading Company Limited	The PRC, limited liability company	Trading	RMB100,000	–	100%
Shenzhen Xiangzhixuan Trading Company Limited	The PRC, limited liability company	Trading	RMB100,000	–	100%
Shenzhen Ruizhuo Trading Company Limited	The PRC, limited liability company	Trading	RMB100,000	–	100%
Shenzhen Yuzhixiang Trading Company Limited	The PRC, limited liability company	Trading	RMB1,000,000	–	100%
Dongguan Shirble Department Store Co., Ltd	The PRC, limited liability company	Operation of department store	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%
Baotong (BVI) Company Limited	British Virgin Island, limited liability company	Investment holding	USD1	–	100%
Baotong E-commerce (Hong Kong) Company Limited	Hong Kong, limited liability company	Trading	HKD1	–	100%
Shenzhen Qianhai Baotong E-commerce Company Limited	The PRC, limited liability company	Trading	RMB500,000	–	100%

12. Income tax expense

	2015 RMB'000	2014 RMB'000
Current income tax		
– PRC corporate income tax	20,005	12,607
Deferred income tax (Note 18)	4,824	3,102
	24,829	15,709

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

	2015 RMB'000	2014 RMB'000
Profit before income tax	75,048	48,483
Tax calculated at a tax rate of 25% (2014: 25%)	18,762	12,121
Tax impact of:		
– Expenses not deductible for tax purposes	364	2,681
– Unrecognised tax loss	4,988	458
– Withholding tax on dividend (Note 18(a))	715	449
Income tax expense	24,829	15,709

(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.

13. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The repurchases of the Company's own ordinary shares was reflected in the weighted average number of ordinary shares in issue from the date shares were repurchased. The weighted average number of ordinary shares in issue changed in 2015 due to the purchase of shares for an employee' share award scheme.

	2015	2014
Profits attributable to owners of the Company (in RMB thousands)	50,219	32,774
Weighted average number of ordinary shares in issue (thousands)	2,486,892	2,495,000
Basic earnings per share (RMB per share)	0.02	0.01

(b) Diluted

The awarded shares granted by the Company (Note 25) have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company. No adjustment is made to earnings (numerator).

	2015	2014
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	50,219	32,774
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	2,486,892	2,495,000
Adjustments for awarded shares	8,108	–
Weighted average number of ordinary shares for diluted earnings per share	2,495,000	2,495,000
Diluted earnings per share (RMB per share)	0.02	0.01

14. Investment properties

	2015 RMB'000	2014 RMB'000
At fair value		
Opening balance at 1 January	64,000	–
Transfer from property, plant and equipment (Note 15)	75,096	52,791
Increase in fair value at the date of transferring from property, plant and equipment (i)	16,004	11,209
Net gains from fair value adjustment (ii) (Note 7)	4,600	–
	159,700	64,000

The Group's investment properties are located in Shenzhen, Lufeng and Haifeng, Guangdong Province, China.

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

(i) In 2015, as at the date of transferring from property, plant and equipment, the increase in fair value of RMB16,004,000 (2014: RMB11,209,000) had been recognised in reserve (Note 26).

(ii) Subsequent to the date of transferring from property, plant and equipment, gains from changes in fair value amounting to RMB4,600,000 in 2015 (2014: Nil) had been recognised in other gains, net.

Valuation processes of the Group

The Group's investment properties were valued as at 31 December 2015 and 2014 by an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations of the investment properties valued.

Valuation techniques

Valuations are based on:

(i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and

(ii) Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

(a) Rental income from investment properties

	2015 RMB'000	2014 RMB'000
Rental income	6,263	850

As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

15. Property, plant and equipment

	Land and 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
As at 1 January 2014								
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
Transfers from construction-in-progress	–	–	–	–	2,613	–	(2,613)	–
Transfers to investment properties (Note 14)	(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
As 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
Year ended 31 December 2015								
Opening net book amount	394,594	10,604	34,939	2,353	169,761	1,034	–	613,285
Additions	–	–	1,173	–	8,416	551	–	10,140
Transfers to investment properties (Note 14)	(75,096)	–	–	–	–	–	–	(75,096)
Disposals (net)	–	(820)	(438)	–	(2,497)	(11)	–	(3,766)
Depreciation	(7,447)	(2,208)	(8,711)	(925)	(26,051)	(293)	–	(45,635)
Closing net book amount	312,051	7,576	26,963	1,428	149,629	1,281	–	498,928
Aa at 31 December 2015								
Cost	374,804	53,478	86,104	9,054	483,443	3,791	–	1,010,674
Accumulated depreciation	(20,753)	(44,220)	(54,989)	(7,626)	(314,863)	(2,510)	–	(444,961)
Impairment	(42,000)	(1,682)	(4,152)	–	(18,951)	–	–	(66,785)
Net book amount	312,051	7,576	26,963	1,428	149,629	1,281	–	498,928

16. Intangible assets

	Computer software RMB'000	Entry right RMB'000	Total RMB'000
As at 1 January 2014			
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
As 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
Year ended 31 December 2015			
Opening net book amount	19,664	–	19,664
Additions	1,441	–	1,441
Amortisation	(2,865)	–	(2,865)
Closing net book amount	18,240	–	18,240
As at 31 December 2015			
Cost	26,931	13,626	40,557
Accumulated amortisation	(8,265)	(2,018)	(10,283)
Impairment	(426)	(11,608)	(12,034)
Net book amount	18,240	–	18,240

17. Financial instruments by category

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
As at 31 December 2015			
Assets as per balance sheet			
Available-for-sale financial assets	–	37,265	37,265
Trade and other receivables excluding prepayments	104,933	–	104,933
Bank deposits	607,533	–	607,533
Cash and cash equivalents	953,378	–	953,378
Total	1,665,844	37,265	1,703,109

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Borrowings (excluding finance lease liabilities)	251,340
Trade and other payables excluding non-financial liabilities	568,484
Total	819,824

	Loans and receivables RMB'000
As at 31 December 2014	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	66,754
Bank deposits	931,118
Cash and cash equivalents	554,810
Total	1,552,682

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Borrowings (excluding finance lease liabilities)	236,661
Trade and other payables excluding non-financial liabilities	524,698
Total	761,359

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:

	2015 RMB'000	2014 RMB'000
Deferred income tax assets	50,583	51,481
Deferred income tax liabilities	(10,729)	(3,251)
Net deferred income tax assets	39,854	48,230

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

	2015 RMB'000	2014 RMB'000
As at 1 January	48,230	54,134
Tax charged to consolidated income statement (Note 12)	(4,824)	(3,102)
Tax paid in related to the remittance of dividends	449	–
Tax charged to consolidated statement of comprehensive income (Note 26)	(4,001)	(2,802)
As at 31 December	39,854	48,230

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
As at 1 January 2014	40,297	11,003	2,834	54,134
Charged to the consolidated income statement	245	(2,269)	(629)	(2,653)
As at 31 December 2014	40,542	8,734	2,205	51,481
As at 1 January 2015	40,542	8,734	2,205	51,481
Charged to the consolidated income statement	1,827	(2,228)	(497)	(898)
As at 31 December 2015	42,369	6,506	1,708	50,583

18. Deferred income tax *(continued)*

	Deferred tax liabilities			
	Undistributed profits of subsidiaries (a) RMB'000	Fair value change of investment properties RMB'000	Accrual on rental income based on the straight – line method RMB'000	Total RMB'000
As at 1 January 2014	–	–	–	–
Charged to consolidated statement of comprehensive income (Note 26)	–	2,802	–	2,802
Charged to consolidated income statement	449	–	–	449
As at 31 December 2014	449	2,802	–	3,251
As at 1 January 2015	449	2,802	–	3,251
Tax paid in related to the remittance of dividends	(449)	–	–	(449)
Charged to consolidated statement of comprehensive income (Note 26)	–	4,001	–	4,001
Charged to consolidated income statement	715	1,572	1,639	3,926
As at 31 December 2015	715	8,375	1,639	10,729

(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 2015, deferred tax liabilities of RMB715,000 (2014: RMB449,000) 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 RMB10,974,000 (2014: RMB8,566,000) have not been recognised, in respect of the remaining retained profits generated by its PRC entities subsequent to 31 December 2008 amounting to RMB219,427,000 (2014: RMB171,323,000), 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 2015, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB364,629,000 (2014: RMB355,342,000) 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. Available-for-sale financial assets

	2015 RMB'000	2014 RMB'000
As at 1 January	–	–
Additions	518,520	–
Disposals	(22,256)	–
Redemptions on maturity	(464,871)	–
Currency translation differences	665	–
Fair value change recognised in other comprehensive income (Note 26)	5,207	–
As at 31 December	37,265	–

The Group's available-for-sale financial assets as at 31 December 2015 represented non-principal guaranteed wealth management products with variable return rate. The available-for-sale financial assets are denominated in RMB and USD.

The fair value of the wealth management products is based on its market price as at 31 December 2015. The fair value is within level 2 of the fair value hierarchy.

20. Trade receivables, other receivables and prepayments

	2015 RMB'000	2014 RMB'000
Current portion:		
Trade receivables (a)	33,105	16,055
Interest receivables	15,598	13,359
Receivable from a trustee for the share purchase for the employees' share award scheme (b)	14,502	–
Prepayments	8,673	14,341
Other receivables	6,662	4,409
Lease deposits	4,492	2,923
Amounts due from a related party (Note 33(c)(i))	19	27
	83,051	51,114
Non-current portion:		
Lease deposits	30,555	29,981
Prepayments for acquisition of a property	12,007	–
Prepayments for purchase of computer software	1,661	–
Prepayments for construction project	1,431	1,339
	45,654	31,320
	128,705	82,434

20. Trade receivables, other receivables and prepayments *(continued)*

(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 aging analysis of the trade receivables of the Group based on invoice date is as follows:

	2015 RMB'000	2014 RMB'000
0 – 30 days	23,475	13,397
31 – 90 days	6,073	1,938
91 – 365 days	3,557	720
	33,105	16,055

At 31 December 2015, trade receivables of RMB5,396,000 (2014: RMB1,115,000) were past due but not impaired. They relate to a number of corporate customers that have good reputation and good trading and settlement history maintained with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances.

All trade receivables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2015.

(b) Receivable from a trustee for the share purchase for the employees' share award scheme

This receivable represented the Group's cash paid to an independent trustee for the purchase of the award shares for the employees' share award scheme (Note 25).

21. Inventories

	2015 RMB'000	2014 RMB'000
Merchandise held for resale	166,294	177,251
Allowance for obsolescence	(652)	(1,119)
	165,642	176,132

21. Inventories *(continued)*

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

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	966,973	881,815
Reversal of allowance for obsolescence	(467)	(4,698)
	966,506	877,117

22. Bank deposits

	2015 RMB'000	2014 RMB'000
Bank deposits with initial terms of over three months	212,687	543,476
Restricted deposits	394,846	387,642
	607,533	931,118

The bank deposits are all denominated in RMB.

The effective interest rate for the bank deposits of the Group with initial terms of over three months for the year ended 31 December 2015 was 2.32% (2014: 3.26%).

Bank deposits were neither past due nor impaired. The directors of the Company considered that the fair value of these bank deposits approximated their carrying amount as at 31 December 2015.

As at 31 December 2015, restricted deposits of RMB394,846,000 (2014: RMB387,642,000) were held at bank as reserve for serving of debt for revolving loans provided by the bank (Note 29).

23. Cash and cash equivalents

	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	428,608	515,513
Bank deposits with initial terms within three months	524,770	39,297
	953,378	554,810

The average effective interest rate on bank deposits with initial terms within three months was 2.53% (2014: 2.78%).

24. Share capital, share premium and shares held for share award scheme

	Number of ordinary shares (thousand)	Ordinary share capital RMB'000	Share premium RMB'000 (Note a)	Shares held for share award scheme RMB'000 (Note b)	Total RMB'000
As at 1 January 2015	2,495,000	213,908	894,338	–	1,108,246
Dividends to equity shareholders (Note 30)	–	–	(17,352)	–	(17,352)
Employee's share award scheme – shares held for restricted share award scheme (Note 25)	–	–	–	(14,531)	(14,531)
As at 31 December 2015	2,495,000	213,908	876,986	(14,531)	1,076,363
As at 1 January 2014 and 31 December 2014	2,495,000	213,908	894,338	–	1,108,246

(a) 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.

(b) Shares held for share award scheme represented the award shares purchased for purpose of the share award scheme adopted by the Company. See Note 25 for further details.

25. Share-based payments

The Company adopted an employees' share award scheme ("**Share Award Scheme**") on 22 January 2014 ("**Adoption Date**") in order to recognise and reward the eligible employees for their contributions to the business and development of the Group. The maximum numbers of the award shares ("**Award Shares**") which may be granted under the Share Award Scheme and to any participant are 49,900,000 shares and 2,495,000 shares respectively. The participants of the Share Award Scheme will be granted an award in the form of Award Shares for nil consideration. Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the Share Award Scheme will be valid and effective for a term of ten years commencing on the Adoption Date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The Share Award Scheme is managed by an independent trustee ("**Trustee**") appointed by the Group. The Trustee purchases the award shares under the direction of the Company for the purpose of the Share Award Scheme. During the year ended 31 December 2015, the Company gave directions to the Trustee to acquire 30,400,000 ordinary shares of the Company for a total consideration of HKD17,694,000 (approximately RMB14,531,000). The carrying amount of the ordinary shares acquired is presented as shares held for share award scheme in the equity (Note 24 (b)).

25. Share-based payments *(continued)*

Movement of shares held for share award scheme for the year ended 31 December 2015 are as follows:

	Number of Shares (thousand)	Amount RMB'000
At 1 January 2015	–	–
Purchase of Award Shares	30,400	14,531
At 31 December 2015	30,400	14,531

The Award Shares were divided into 3 tranches on an equal basis as at their grant date. The first tranche can be exercised after an anniversary from the grant date, and the remaining tranches will become exercisable in each subsequent year. The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date, which is to be expensed over the vesting period.

Movements of the Award Shares granted to the employees for the years ended 31 December 2015 are as follows:

	Number of Shares (thousand)	Share price at grant date RMB	Fair value RMB'000
As at 1 January 2015	–	–	–
Award Shares granted to the employees on 13 July 2015	18,672	0.47	8,776
Including: Award Shares Granted to a director of the Company	2,490	0.47	1,170
Award Shares granted to the employees on 17 December 2015	13,830	0.44	6,085
Including: Award Shares granted to a director of the Company	–	–	–
As at 31 December 2015	32,502	0.46	14,861

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the year are as follows:

	2015 RMB'000	2014 RMB'000
Employees (excluding directors)	2,286	–
Directors	328	–
Total employees benefit expenses	2,614	–

26. Other reserves

	Statutory reserve RMB'000 (Note i)	Merger reserve RMB'000 (Note ii)	Re-valuation surplus RMB'000	Currency translation reserve RMB'000	Share-based compensation RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2014	88,448	107,372	–	503	–	410	196,733
Appropriation to statutory reserves	3,301	–	–	–	–	–	3,301
Revaluation of property, plant and equipment transfer to investment properties (Note 14(i))	–	–	11,209	–	–	–	11,209
Revaluation-deferred tax (Note 18)	–	–	(2,802)	–	–	–	(2,802)
Currency translation differences	–	–	–	(12)	–	–	(12)
As at 31 December 2014	91,749	107,372	8,407	491	–	410	208,429
Appropriation to statutory reserves	3,253	–	–	–	–	–	3,253
Revaluation of property, plant and equipment transfer to investment properties (Note 14(i))	–	–	16,004	–	–	–	16,004
Revaluation-deferred tax (Note 18)	–	–	(4,001)	–	–	–	(4,001)
Changes in fair value of available-for-sale financial assets (Note 19)	–	–	–	–	–	5,207	5,207
Recycle to income statement upon redemptions on maturity and disposals of available-for-sale financial assets (Note 7)	–	–	–	–	–	(5,226)	(5,226)
Share award scheme – value of service (Note 25)	–	–	–	–	2,614	–	2,614
Currency translation differences	–	–	–	(659)	–	–	(659)
As at 31 December 2015	95,002	107,372	20,410	(168)	2,614	391	225,621

(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 2015, RMB3,253,000 (2014: RMB3,301,000) was appropriated to statutory reserve.

(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.

27. Accumulated loss

	RMB'000
As at 1 January 2014	(85,510)
Profit for the year	32,774
Appropriation to reserves	(3,301)
As at 31 December 2014	(56,037)
As at 1 January 2015	(56,037)
Profit for the year	50,219
Appropriation to reserves	(3,253)
As at 31 December 2015	(9,071)

28. Trade and other payables

	2015 RMB'000	2014 RMB'000
Trade payables (a)	260,706	227,195
Rental payables	187,901	182,372
Other tax payables	20,155	21,743
Deferred income (b)	25,937	35,139
Accrued wages and salaries	28,835	20,233
Amount due to related parties (Note 33(c)(ii))	157	156
Advances from suppliers	6,083	5,864
Advances received from customers (c)	345,356	337,293
Deposits	61,700	47,965
Accrual for legal claims (Note 34)	14,084	8,088
Other payables and accruals	58,020	67,010
	1,008,934	953,058

All trade and other payables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2015.

28. Trade and other payables *(continued)*

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

	2015 RMB'000	2014 RMB'000
0 – 30 days	123,759	89,089
31 – 60 days	48,145	51,942
61 – 90 days	19,294	16,810
91 – 365 days	37,464	33,389
1 year – 2 years	4,240	4,992
2 years – 3 years	4,104	23,596
Over 3 years	23,700	7,377
	260,706	227,195

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

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

29. Borrowings

	2015 RMB'000	2014 RMB'000
Bank borrowings, secured	251,340	236,661

As at 31 December 2015, the bank borrowings were denominated in HKD and subject to an annual average interest rate of 1.321% (2014: 1.047%). The bank borrowings were repayable within one year and secured by pledged deposits of RMB394,846,000 (2014: RMB387,642,000) (Note 22).

The fair value of the borrowings approximated their carrying amount.

30. Dividends

Pursuant to the resolutions by the annual general meeting of the Company held on 19 May 2015, a final dividend of RMB0.0036 per ordinary share amounting to RMB8,976,000 out of the share premium account for the year ended 31 December 2014 was approved and paid by the Company.

Pursuant to the resolutions passed by the Board of Directors on 24 August 2015, an interim dividend of RMB0.0034 per ordinary share amounting to RMB8,376,000 out of the share premium account in respect of the six months ended 30 June 2015 was declared and paid by the Company.

30. Dividends *(continued)*

On 22 March 2016, the board of directors recommended a final dividend in respect of the year ended 31 December 2015 of RMB0.0024 (equivalent to approximately HKD0.0028) per share, amounting to RMB5,928,000 (equivalent to approximately HKD7,086,000). The final dividend is to be proposed out of the share premium account at the annual general meeting of the Company and these financial statements do not reflect this dividend payable.

	2015 RMB'000	2014 RMB'000
Interim dividend paid of RMB0.0034 (2014: nil) per ordinary share	8,376	–
Proposed final dividend of RMB0.0024 (2014: RMB0.0036) per ordinary share	5,928	8,976
	14,304	8,976

31. Cash generated from operations

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

	2015 RMB'000	2014 RMB'000
Profit before income tax	75,048	48,483
Adjustments for:		
Depreciation (Note 15)	45,635	44,910
Amortisation of intangible assets (Note 16)	2,865	2,599
Write back of allowance for prepayments and other receivables	–	(45)
Loss on disposals of property, plant and equipment (Note 7)	3,652	4,409
Investment gain from redemptions on maturity and disposals of available-for-sale financial assets (Note 7)	(5,226)	–
Interest income (Note 10)	(31,449)	(26,188)
Interest expense (Note 10)	3,190	2,478
Expenses on share-based payments (Note 25)	2,614	–
Changes in working capital (excluding the effect of acquisition and currency translation differences on consolidation):		
Inventories	10,490	43,803
Trade and other receivables	(20,370)	(2,106)
Trade and other payables	63,939	(100,296)
Cash generated from operations	150,388	18,047

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

	2015 RMB'000	2014 RMB'000
Net book amount (Note 15)	3,766	5,739
Loss on disposals of property, plant and equipment (Note 7)	(3,652)	(4,409)
Proceeds from disposals of property, plant and equipment	114	1,330

32. Commitments

(a) Capital commitments

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

	2015 RMB'000	2014 RMB'000
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	7,893	1,346

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

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

	2015 RMB'000	2014 RMB'000
Land and buildings:		
Not later than 1 year	140,708	150,820
Later than 1 year and not later than 5 years	467,946	538,792
Over 5 years	938,156	1,096,160
	1,546,810	1,785,772

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 are subjected to renegotiation.

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

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

	2015 RMB'000	2014 RMB'000
Buildings:		
Not later than 1 year	76,317	55,960
Later than 1 year and not later than 5 years	135,536	124,452
Over 5 years	113,344	102,361
	325,197	282,773

33. 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.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

Name	Relationship
Shenzhen Ruizhuo Investment Development Company Limited ("**Ruizhuo Investment**")	Owned in equal shares by Mr. YANG Xiangbo's nephew and niece
Luhe County Shirble Inn ("**Shirble Inn**")	Controlled by Mr. YANG Xiangbo
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

	2015 RMB'000	2014 RMB'000
Ruizhuo Investment	20	20
Shirble Inn	109	109
	129	129

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.

(b) Rental income from related parties

	2015 RMB'000	2014 RMB'000
Lufeng Haige	3,000	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.

33. Related party transactions *(continued)*

(c) Balances with related parties

(i) Amount due from related parties

	2015 RMB'000	2014 RMB'000
Lufeng Haige	19	27

(ii) Amount due to related parties

	2015 RMB'000	2014 RMB'000
Ruizhuo Investment	121	101
Shirble Inn	36	55
	157	156

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

(d) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	11,485	11,143
Year-end bonuses	2,434	1,109
Contributions to the retirement scheme	66	52
share-based compensation expenses	1,128	–
	15,113	12,304

34. 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 2015, the legal proceedings were ongoing. The Group has made a provision of approximately RMB14,084,000 (2014: RMB8,088,000), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

35. Comparative figures

Lease deposits of RMB29,981,000 repayable over 1 year which previously classified as current assets in the consolidated financial statements of the Company for the year ended 31 December 2014 were reclassified as non-current assets in these consolidated financial statements.

36. Balance sheet and reserve movement of the Company

Balance sheet of the Company	Note	**2015 RMB'000**	**2014 RMB'000**
ASSETS			
Non-current assets			
Investments of interests in subsidiaries		798,906	797,421
Current assets			
Trade and other receivables		233,640	219,272
Bank deposits		–	246,440
Cash and cash equivalents		247,531	22,215
		481,171	487,927
Total assets		1,280,077	1,285,348
EQUITY AND LIABILITIES			
Share capital		213,908	213,908
Share premium		876,986	894,338
Shares held for share award scheme		(14,531)	–
Other reserves	(a)	110,396	107,782
Accumulated loss		(35,504)	(27,013)
Total equity		1,151,255	1,189,015
LIABILITIES			
Current liabilities			
Trade and other payables		128,822	96,333
Total liabilities		128,822	96,333
Total equity and liabilities		1,280,077	1,285,348

The balance sheet of the Company was approved by the Board of Directors on 22 March 2016 and was signed on its behalf

YANG Xiangbo
Director

YANG Ti Wei
Director

36. Balance sheet and reserve movement of the Company *(continued)*

(a) Reserve movement of the Company

	Merger reserve RMB'000	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Total RMB'000
As at 1 January 2014 and 31 December 2014	107,372	410	–	107,782
Share award scheme				
– Value of employee services (Note 25)	–	–	2,614	2,614
As at 31 December 2015	107,372	410	2,614	110,396

37. Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2015:

Name of director	Fees RMB'000	Salary allowances and benefits RMB'000	Retirement schemes contributions RMB'000	Bonus RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive directors						
Mr. YANG Xiangbo	–	1,159	14	1,173	–	2,346
Mr. YANG Ti Wei [i]	241	2,340	12	1,044	328	3,965
Independent non-executive directors						
ZHAO Jinlin	241	–	–	–	–	241
CHEN Fengliang	241	–	–	–	–	241
JIANG Hongkai	241	–	–	–	–	241
FOK Hei Yu	241	–	–	–	–	241
	1,205	3,499	26	2,217	328	7,275

[i] Mr. YANG Ti Wei is the chief executive director of the Company.

37. Benefits and interests of directors *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2014:

Name of director	Fees	Salary allowances and benefits	Retirement schemes contributions	Bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	238	–	–	–	–	238
	1,190	3,480	25	–	–	4,695

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by directors' services in connection with the management of the affairs of the company or its subsidiary undertaking (2014: Nil).

(c) Directors' termination benefits

No termination on the appointment of director and chief executive of the Company and certain subsidiaries occurred in 2015, thus no related termination benefits was paid.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

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

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The Landmark
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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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Hong Kong share registrar

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Company's website

www.shirble.net

Stock code

00312.HK