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

2016 Annual Report

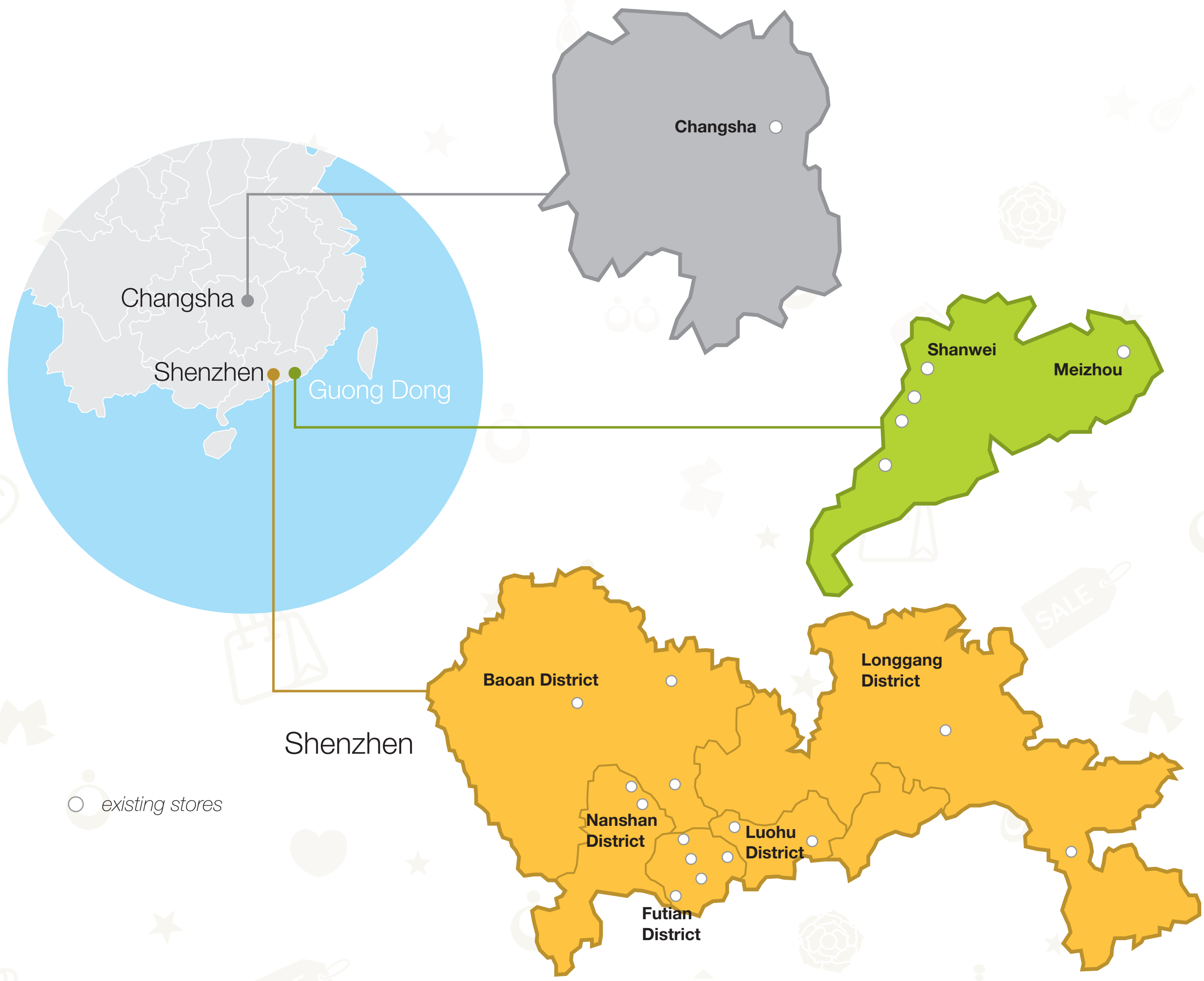
CONTENTS

CORPORATE PROFILE

Shirble Department Store Holdings (China) Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability on 5 November 2008. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the operation of department stores in the People's Republic of China (the "**PRC**").

The Group is one of the long established Shenzhen-based department store chains. As at 31 December 2016, the Group owned and operated 20 department stores, 14 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 342,231.6 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

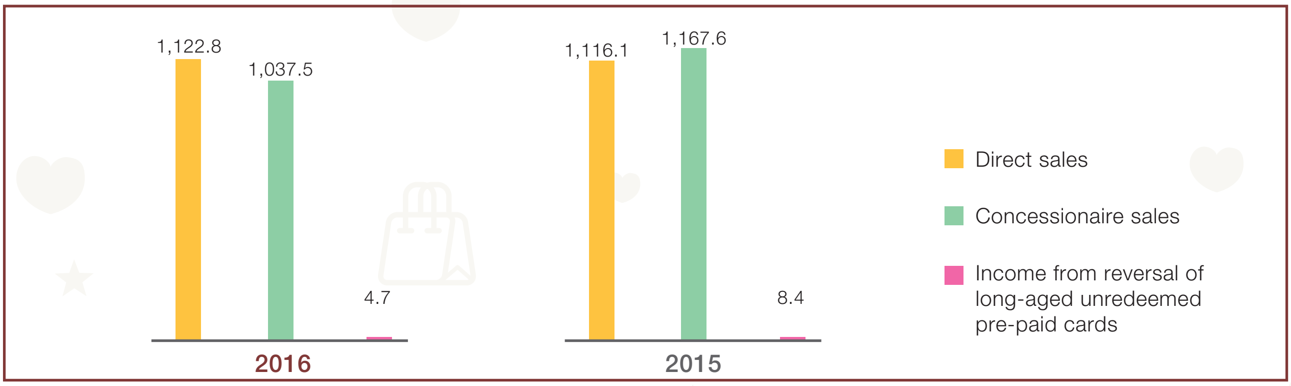
RMB'000	Year ended 31 December 2016	2015	2014	2013	2012
Revenue	1,403,919	1,389,455	1,268,733	1,356,502	1,372,030
Operating profit	57,647	46,789	24,773	(242,305)	(47,330)
Profit before income tax	84,726	75,048	48,483	(217,191)	(22,675)
Profit attributable to owners of the Company	60,494	50,219	32,774	(219,515)	(45,779)
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	0.02	0.01	(0.09)	(0.02)

Assets, Liabilities and Equity

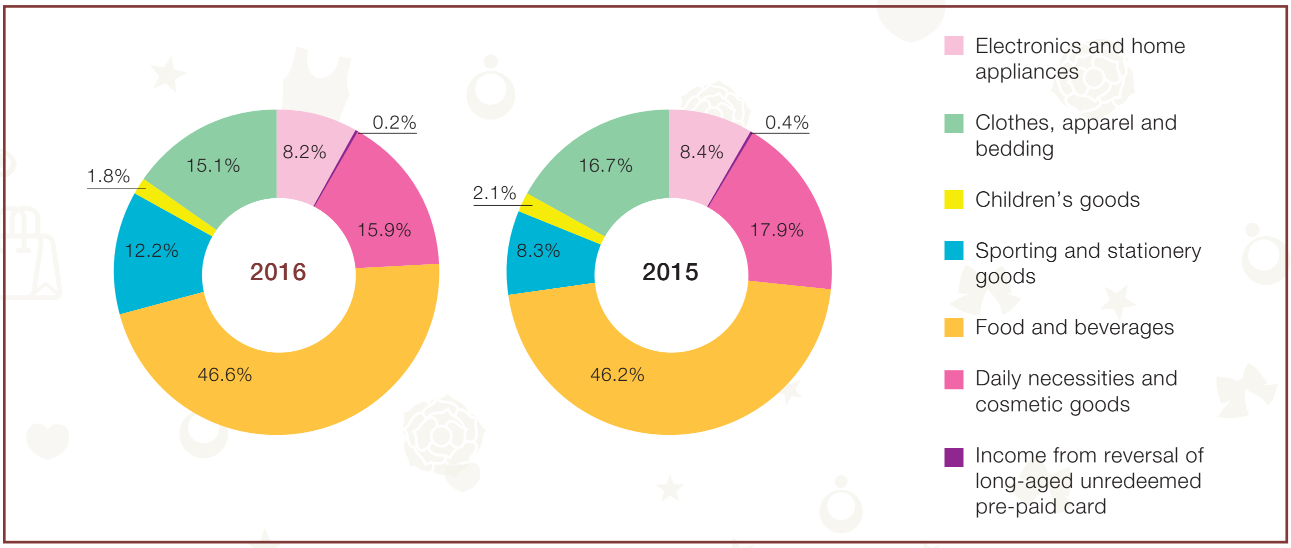
RMB'000	At 31 December 2016	2015	2014	2013	2012
Total assets	2,295,398	2,619,974	2,492,924	2,526,946	2,940,617
Total liabilities	954,415	1,327,061	1,232,286	1,307,477	1,501,831
Total equity	1,340,983	1,292,913	1,260,638	1,219,469	1,438,786

Gross sales proceeds – By Category

RMB (million)



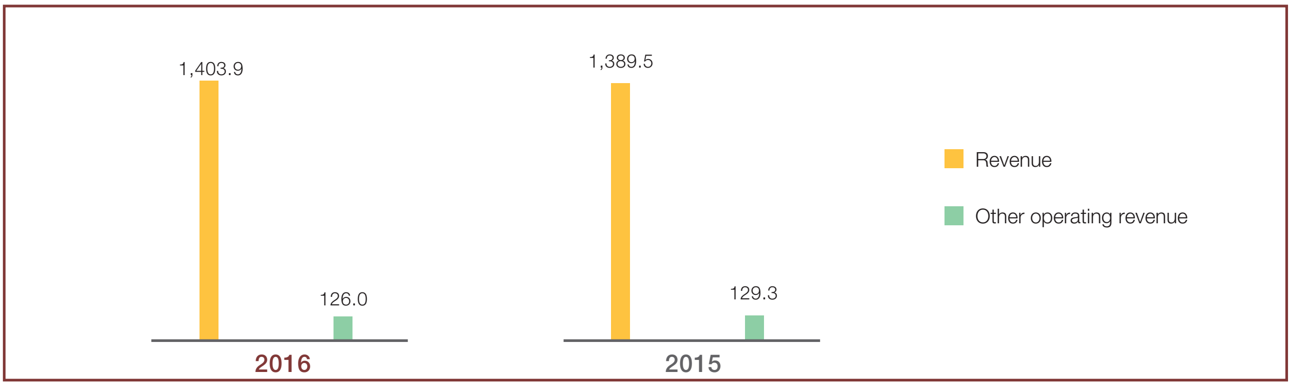
Gross sales proceeds – By Product Category



FINANCIAL HIGHLIGHTS

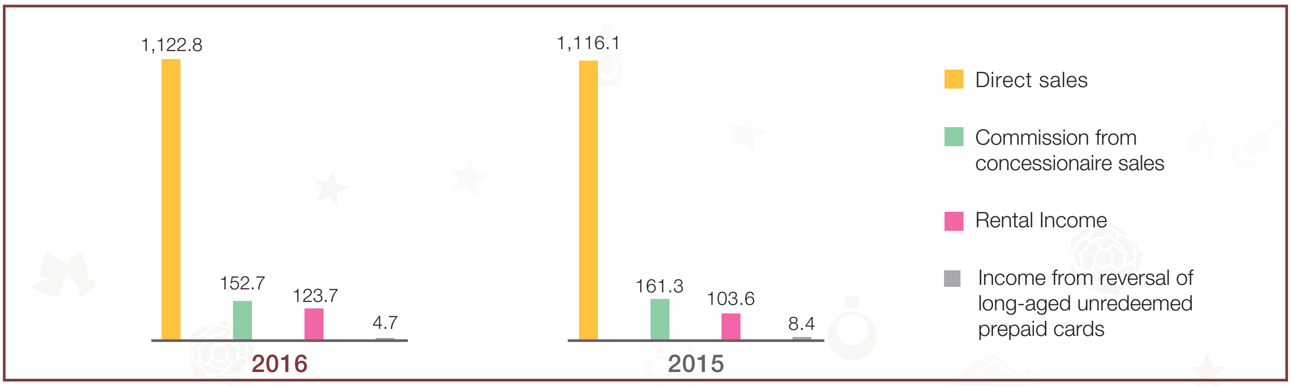
Revenue and Other Operating Revenue

RMB (million)



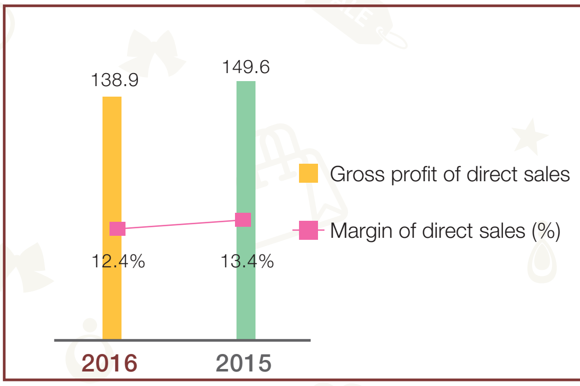
Revenue by Category

RMB (million)



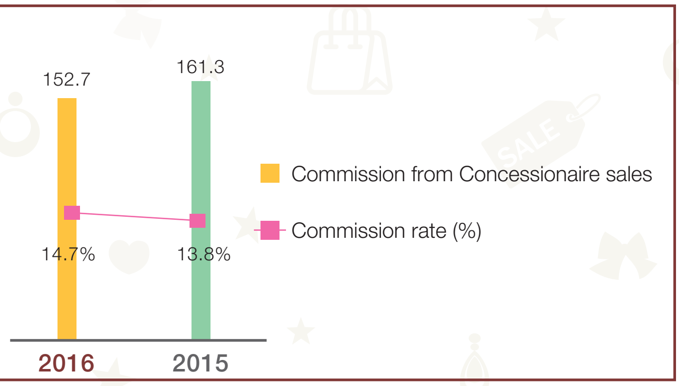
Gross Profit and Margin of Direct Sales

RMB (million)



Concessionaire Commission and Commission Rate

RMB (million)



CHAIRMAN'S STATEMENT

The Group is principally engaged in the department store business and the online retail business in The People's Republic of China (the "**PRC**").

REVIEW OF THE RETAIL BUSINESS IN THE PRC

In 2016, the growth of the retail business in the PRC remained slow as compared to the strong growth in earlier years. Nevertheless the retail market in the PRC continues to be one of the fastest growth retail business markets in the world. According to the National Bureau of Statistics of the PRC, the retail business market in the PRC maintained the growth at 10.4% in 2016. As a result of technological advancement and improving logistics in the PRC, there are increasing number of consumers in the PRC buying online. The online business platforms and channels in the PRC recorded a substantial growth in 2016.

In 2016, the Group celebrated its 20th anniversary and launched a series of celebrating promotional campaigns for this milestone. One of the purposes of these campaigns is to promote the sales through different sales channels offered by the Group. That effort and its attempts to expand into new business segments resulted in the Group to record a sustainable business growth during the year. For the year ended 31 December 2016, the Group recorded RMB1,403.9 million in revenue, a 1.0% increase from RMB1,389.5 million in 2015, and its net profit also increased by 20.5%, to RMB60.5 million from RMB 50.2 million last year.

As at 31 December 2016, the Group operated a total of 20 department stores, with a total gross floor area of 342,231.6 sq.m.

BUSINESS REVIEW

Continuous expansion of i-Shirble and collaboration with other online platforms

The Group continues to promote the online-to-offline sales strategy. In this connection, the Group established business strategic alliances with online platforms in the PRC, such as Jingdong Daojia ("京東到家") and Baidu ("百度"), in addition to its own online platform of "i-Shirble". As one of the first movers in implementing online-to-offline sales strategy in Shenzhen with the network of department stores and the support from the business partners' online platforms, the Group has established a sizeable customer/member base initially in Shenzhen and currently extending to Shanwei region, the south-east part of the Guangdong province. The successful implementation of the Group's 20th anniversary market campaign resulted in the Group having establishing a customer/member base of more than 58,000 members as at 31 December 2016. The customer/member base for i-Shirble includes people of different age with different biographical background at different locations. The conversation rate of the customer/member base in 2016 was approximately 38.2%.

In the future, the Group plans to continue to develop the i-Shirble online for the purposes of enhancing its popularity and increasing the number of customers and members. The Group will continue to add new functions and features to the online platform of i-Shirble apps on mobile platform and refine the portfolio of merchandises offered online. In this connection, we have concrete implementation plans to promote the i-Shirble online platform.

CHAIRMAN'S STATEMENT

Introducing new store formats and opening new stores

Although the retail business market in the PRC is growing rapidly, it is also increasingly competitive. Successful retailers have to fulfil the increasing demands from different groups of target consumers. In this connection, the Group has developed three business channels to attract and promote the customers' loyalty. These three business channels include the network of the well-established department stores with the brand of "歲寶百貨"; the "SMART" hyper-market focusing on lifestyle products with customers' involvement; and "Shirble Plaza" which is positioned as a trendy one-stop lifestyle shopping mall to attract the young generation and middle-class with high consumption pattern.

In September 2016, the Group opened a SMART store with gross floor area of 3,511.5 sq.m. at Shixia, Futian district in Shenzhen. This new store carries a great variety of offers including hot delicacies, interactive lifestyle pop-up stores, the "Shirble Kitchen" where cooking classes are given, and a learning centre for kids.

Strategic cooperation with local fresh food supermarket chain of over 80 stores

In December 2016, the Group entered into a strategic cooperation agreement (the "**Agreement**") with Shenzhen New Meiyiduo Investment Limited ("**Meiyiduo**") for further expansion of the Group's network of convenient stores. Meiyiduo currently operates more than 80 fresh food convenient stores in Shenzhen and Guangdong in different neighbourhood areas at different districts under the brand names of Meiyiduo (美宜多), Xinlefu (新樂福) and Huiyijia(惠宜家). These stores are known as convenient stores strategically operating in different small districts in different cities (城中村). These stores offer residents and shoppers in their convenient shopping experience. These stores typically have GFAs of less than 900 sq.m.

With the network of fresh food stores, the Group's plan is to enhance its fresh food offerings on its online platform as well as at the relatively large department stores through bulk purchase of daily food and vegetables. This arrangements are also expected to reduce the procurement cost of the Group. Pursuant to the Agreement, the Group has agreed to, amongst other things, (i) jointly procure with Meiyiduo from local farms or agricultural base directly, (ii) offer Meiyiduo the Group's wholesale products at reasonable prices upon their request, (iii) promote the sales of a wide range of food and daily products under the joint brand of "Shirble-Meiyiduo" (歲寶美宜多), and (iv) explore further cooperation opportunities in logistics and supply chain management for the purposes of further reducing the cost.

Under the cooperation agreement, the Group is also granted an option to acquire 20% of the equity interest of Meiyiduo upon such terms and conditions to be discussed and agreed by the relevant parties. If the Group has decided to exercise the option, it will comply with the applicable requirements under the Listing Rules. The Directors consider that the cooperation with Meiyiduo would accelerate the business growth of the Group.

Direct sourcing and development of wholesale business

As consumers in the PRC become more health conscious, their demand for quality products and services is also growing continuously. In the past few years, one of the Group's strategic directions is to increase the direct procurement from overseas (such as Ukraine edible sunflower seed oil and fruit juices) and introduce specialty products (such as organic vegetables and chinese medicine flavored chicken) from the local organic farms. In June 2016, after acquiring 10% equity interest in the online platform "釣胃口", the Group has also boosted its seafood offerings with a wide range of deep-sea fish and other seafood products.

In the second half of 2016, the Group signed an exclusive agreement with a Singaporean company for the supply of a series of high-quality detergents and toiletries. The Group also procured other high quality products such as Bulgarian sunflower seed oil and batteries from different suppliers, and is in discussion with a number of quality suppliers on furthering business cooperation.

The Group set up a dedicated team during the year for the procurement of high-quality and/or specialty products, and these products have been launched at the department stores of the Group in Shenzhen and Shanwei. With the support of its existing store network, online channels, and the strategic partnership with Meiyiduo and other wholesale network, the Group is able to promote these dedicated products to the mass market.

Staff incentive scheme

In these past few years, the Group has been adjusting both its strategic direction and operational strategies to ensure it can survive in the growingly competitive market. The Directors believe that for the corporate transformation to succeed, it is essential that the Group motivate its employees and retain valuable personnel. Hence, the Group granted 32,502,000 Shares to 88 employees in the past two years, and on 20 January 2017, the third batch of an aggregate of 7,524,000 award shares were granted to 50 eligible employees. The Directors hope the share award scheme can encourage employees to contribute to the Group's business.

BUSINESS OUTLOOK

Prudent store expansion plan to establish the "Shirble Plaza" brand

Consistent with the business channel diversification strategy, the Group plans to establish a brand new shopping mall of "Shirble Plaza" with gross floor area of approximately 17,500 sq.m., which is in a three-storey building in Futian District, Shenzhen, and is scheduled to open in mid 2017. The "Shirble Plaza" will be positioned as a trendy one-stop lifestyle shopping mall, and a significant portion of its store area will be leased to different businesses instead of operating different concessionaire counters.

After the three business channels have been implemented, the Group will select the appropriate areas for opening more different stores and continue to refine its various business channels according to the new positioning of selected existing stores and other stores in the pipeline.

Tapping the niche market through supermarket

In the past, most of the Group's stores were positioned as one-stop neighborhood convenient shopping centres with GFA of more than 10,000 sq.m. with a supermarket section, department store section, electrical appliances section and ancillary facilities. Not until recently, the Group started implementing its supermarket model, launching a premium store line under the "SMART" brand that targets consumers with higher consumption power.

In late 2016, the Group started to explore the opportunity of urban village areas (城中村) through the strategic alliance with Meiyiduo. This cooperation will not only expand fresh food procurement source for the Group, but also enable the Group to explore a new market with target customers of different demographic profile.

CHAIRMAN'S STATEMENT

Establishment of the supply chain and logistic network

The Group currently uses external logistics services for its online business. With the business segment growing quickly and the cooperation with Meiyiduo, the Group will explore the possibility of developing its own integrated supply chain and logistics network that could meet the needs of all stores of the Group, which is expected to increase the efficiency of the online-to-offline business model.

In 2017, to further reduce the logistics cost of its online business, the Group is considering different types of delivery or pick-up arrangements for online customers. The Group is exploring the possibility to build certain customer lockers in physical stores for enhancing shopping convenience. When placing an online order, the customer will receive a SMS with verification code. Customers can enter the verification code and pick-up the goods at the chosen stores.

Acquisition of properties for the business operations

On 14 March 2017, the Group announced that it had won the bid for two properties (the "**Properties**") – one in Shenzhen and the other Changsha, where its Jingtian store and Changsha store currently operate, respectively. The consideration for the acquisitions totaled at approximately RMB611.3 million (equivalent to approximately HK$688.0 million), and will be settled by the Group with internal resources.

The Jingtian store, which is in a prime region in Shenzhen, is one of the most valuable stores of the Group and it had brought the highest contributions, both in revenue and net profit, among all stores of the Group in the past five years. The store has less than eight years on its lease and it is uncertain whether the lease contract can be extended, whereas the lease of the Changsha store will expire in less than 12 years. The Properties, which belonged previously to a state-owned enterprise, were put up for tendering in a bundle. Hence, the Group submitted the bid with the intention of acquiring the Properties (especially the property housing the Jingtian store) to avoid any possible impact or disruption to its operations in the future as a result of change in ownership of the Properties.

Going ahead, according to operational needs and the financial resources available, the Group would consider acquiring other properties upon acceptable commercial terms.

Potential investment opportunities

As mentioned above, 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
23 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total gross sales proceeds

During the year ended 31 December 2016, 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 RMB2,165.0 million, representing a decrease of 5.5% from RMB2,292.1 million in 2015. The decrease in total gross sales proceeds was principally due to decrease in concessionaires sales from old stores in Shenzhen amid the intense competition.

Revenue generated from direct sales of the Group amounted to RMB1,122.8 million and the total sales proceeds from concessionaire sales amounted to RMB1,037.5 million, accounting for 51.9% and 47.9%, respectively, of the Group's total gross sales proceeds for the year ended 31 December 2016. For the year ended 31 December 2015, revenue from direct sales amounted to RMB1,116.1 million, while the total sales proceeds from concessionaires sales amounted to RMB1,167.6 million, accounted for 48.7% and 50.9% 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			
	2016		2015	
	RMB' million	(%)	RMB' million	(%)
Food and beverages	1,008.3	46.6	1,059.1	46.2
Clothes, apparel and bedding	326.1	15.1	383.0	16.7
Daily necessities and cosmetic goods	345.3	15.9	411.2	17.9
Electronics and home appliances	177.9	8.2	191.2	8.4
Sporting and stationery goods	264.8	12.2	191.0	8.3
Children's goods	37.9	1.8	48.2	2.1
Income from reversal of long-aged pre-paid gift cards	4.7	0.2	8.4	0.4
	2,165.0	100.0	2,292.1	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's revenue amounted to RMB1,403.9 million for the year ended 31 December 2016, representing an increase of 1.0% as compared to RMB1,389.5 million in 2015. The increase was principally due to additional rental income received as a result of change in strategy to shift concessionaire sales to additional rental income, as well as organic growth of direct sales.

Direct sales increased by 0.6% to RMB1,122.8 million for the year ended 31 December 2016 from RMB1,116.1 million in 2015, principally due to improvement in supermarket product mix. Direct sales as a percentage of the Group's total revenue was 80.0% for the year ended 31 December 2016 as compared to 80.3% for the year ended 31 December 2015.

Commission from concessionaire sales decreased by 5.3% to RMB152.7 million for the year ended 31 December 2016 from RMB161.3 million in 2015, mainly due to the shift of concessionaire sales to rental income as a result of strategic adjustment of store layout in view of the decrease in concessionaire sales in old stores amid the intense competition, offset by the higher commission rate achieved from the remaining concessionaire counters after adjustment. The commission rate of concessionaire sales was 14.7% as compared to 13.8% in 2015. Commission from concessionaire sales accounted for 10.9% of the Group's total revenue for the year ended 31 December 2016 as compared to 11.6% in 2015.

Rental income increased by 19.4% to RMB123.7 million for the year ended 31 December 2016 from RMB103.6 million in 2015, 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 8.8% of the Group's total revenue for the year ended 31 December 2016 as compared to 7.5% in 2015.

Income from reversal of long-aged unredeemed pre-paid cards decreased by 44.0% to RMB4.7 million for the year ended 31 December 2016 from RMB8.4 million in 2015 due to the decrease in pre-paid card issuance in past years.

Other operating revenue

Other operating revenue decreased slightly by 2.6% to RMB126.0 million for the year ended 31 December 2016 from RMB129.3 million in 2015, mainly due to decrease in promotion, administration and management income, offset by the increase in government grants.

Other gain, net

Other net gain amounted to RMB5.2 million for the year ended 31 December 2016 as compared with RMB3.2 million in 2015, mainly due to reversal of provision for legal claims of RMB3.8 million upon the conclusion of legal case in 2016.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB983.9 million for the year ended 31 December 2016, representing an increase of 1.8% as compared with RMB966.5 million in 2015, which is in line with the increase in direct sales. Purchase of and changes in inventories accounted for 87.6% of the Group's direct sales for the year ended 31 December 2016 as compared with 86.6% in 2015.

Employee benefits

Employee benefits decreased by 1.0% to RMB184.4 million for the year ended 31 December 2016 from RMB186.3 million in 2015, primarily due to efficient cost control on personnel cost for the existing stores, offset by the increase in share-based compensation expenses incurred for the share award scheme.

Depreciation and amortization

Depreciation and amortization increased by 6.4% to RMB51.6 million for the year ended 31 December 2016 from RMB48.5 million in 2015 mainly due to the opening of the new Shixia Store in September 2016.

Operating lease rental expenses

Operating lease rental expenses decreased by 3.2% to RMB146.7 million for the year ended 31 December 2016 from RMB151.6 million in 2015.

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 9.3% to RMB110.8 million for the year ended 31 December 2016 from RMB122.2 million in 2015. This was primarily due to the efficient cost controls and savings for the existing stores and head office, as well as the net foreign exchange gain of RMB1.6 million earned in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating profit

As a result of the reasons mentioned above, the Group's operating profit amounted increased by 23.1% to RMB57.6 million for the year ended 31 December 2016 from RMB46.8 million in 2015.

Finance income

Finance income decreased by 9.9% to RMB28.3 million for the year ended 31 December 2016 from RMB31.4 million in 2015 primarily as a result of the decrease in bank deposits and cash and cash equivalent due to the full repayment of outstanding bank borrowings during the year.

Finance costs

Finance costs decreased significantly by 62.5% to RMB1.2 million for the year ended 31 December 2016 from RMB3.2 million in 2015 which was primarily due to the full repayment of outstanding bank borrowings during the year.

Income tax expense

Income tax expense amounted to RMB24.2 million for the year ended 31 December 2016, representing a decrease of 2.4% from RMB24.8 million in 2015. The applicable income tax rate for all subsidiaries in the PRC are 25% and 15% for the year ended 31 December 2016. 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 RMB60.5 million for the year ended 31 December 2016, representing an increase of 20.5% as compared with the profit of RMB50.2 million in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's cash and cash equivalents and bank deposits amounted to RMB1,285.6 million, representing a decrease of 17.6% from RMB1,560.9 million as at 31 December 2015. The cash and cash equivalents and bank deposits, which were in RMB, Hong Kong and U.S. dollars, were deposited with banks in the PRC and Hong Kong for interest income.

As at 31 December 2016, the Group does not have any outstanding bank borrowings (31 December 2015: RMB251.3 million). No restricted bank deposit (31 December 2015: RMB394.8 million) were pledged to bank to secure the borrowings as at 31 December 2016.

The gearing ratio of the Group expressed as a percentage of interest-bearing bank loans over the total assets was 0% as at 31 December 2016 upon repayment of all outstanding bank borrowings (31 December 2015: 9.6%).

Net current assets and net assets

The net current assets of the Group as at 31 December 2016 were RMB611.0 million (31 December 2015: RMB530.5 million), representing an increase of 15.2%. The net assets of the Group as at 31 December 2016 increased to RMB1,341.0 million (31 December 2015: RMB1,292.9 million), representing an increase of 3.7%.

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 and U.S. 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 2016, the Group recorded a net foreign exchange gain of RMB1.6 million. For the year ended 31 December 2015, the Group recorded a net foreign exchange loss of RMB13.2 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 2016, the total number of employees of the Group was 2,350. 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. In addition, on 20 January 2017, the third batch of an aggregate of 7,524,000 Shares were granted to 50 eligible employees. As approved by the Board under the share award scheme, the aggregate of 40,026,000 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. As at the date of this report, 1,950,000 shares granted to eight eligible employees have not been vested due to departure, while an additional of 631,800 shares were granted to two eligible employees upon their promotion.

In 2016, the Group has appointed a consultant to review the internal control procedures on the human resources functions and staff performance appraisal procedures in order to further enhance the Group's remuneration policy. The new remuneration policy is target to be implemented in 2017.

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 2016, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB10,242,000 (2015: RMB14,084,000), which the Directors believe is adequate to cover the amounts, 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.

SUBSEQUENT EVENT

The Board announced on 14 March 2017 that three indirect wholly owned subsidiaries of the Company have successfully tendered for two properties for RMB611,296,200 (equivalent to approximately HK$688,013,873). Details of these acquisitions are set out in note 36 to the consolidated financial statements.

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 54, 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 30, 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 48, 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. From January 2014 to January 2017, 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 43, 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. From August 2014 to April 2016, Mr. CHEN was 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 51, 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 46, 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 57, 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 37, 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 45, 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 2016.

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 2016 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 RMB0.0016 (equivalent to approximately HKD0.0018) per Share or in the total amount of RMB4.0 million (equivalent to approximately HKD4.5 million) for the year ended 31 December 2016 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 2016.

The profit improvement of the Group for the year ended 31 December 2016 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 21 June 2017 to the Shareholders whose name appears on the register of members of the Company at the close of business on 6 June 2017.

Investment properties

Details of movements in investment properties during the year are set out in note 13 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 14 to the consolidated financial statements.

Share capital

Details of the Company's authorised and issued share capital as of 31 December 2016 are set out in note 25 to the consolidated financial statements.

DIRECTOR'S REPORT

Reserves

As at 31 December 2016, distributable reserves of the Company included the Company's retained profit in the amount of RMB44.7 million and the Company's share premium in the amount of RMB858.6 million. Details of the movements in reserves of the Company and the Group during the year under review are set out in notes 27 to 28 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 2016.

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. Yang Xiangbo and Ms. Zhao Jinlin 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 2016. 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 2016. 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.

DIRECTOR'S REPORT

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 2016, 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 2016, 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 2016.

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

As at 31 December 2016, 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 2016, 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.

DIRECTOR'S REPORT

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. On 17 December 2015, the rights to receive an additional 13,830,000 Shares have been granted to 60 eligible employees. Subsequently, on 20 January 2017, the rights to receive an additional 7,524,000 Shares have been granted to 50 eligible employees. As approved by the Board under the share award scheme, the aggregate of 40,026,000 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.

As at the date of this report, 1,950,000 shares granted to eight eligible employees have not been vested due to departure, while an additional of 631,800 shares were granted to two eligible employees upon their promotion.

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 2016, 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 2016.

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.

DIRECTOR'S REPORT

Continuing Connected Transaction

Details of the related party transactions, which were undertaken in the ordinary course of business are set out in note 34 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.

On 31 August 2016, due to the unsatisfactory operating results of the restaurant, the Group decided to terminate the restaurant operation agreement in accordance to the terms of the agreement. For the year ended 31 December 2016, the amount paid under the restaurant operation agreement amounted to RMB2,000,000 (equivalent to HK$2,333,178), which was within the applicable annual cap of HK$6,074,831 for 2016. 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 and the termination 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

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 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.

DIRECTOR'S REPORT

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 2016, 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.

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 2016.

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 2016. None of the Directors or shareholders who owned 5% or more of the issued shares capital of the Company as of 31 December 2016 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 2016.

Bank loans and other borrowings

As of 31 December 2016, the Group had no bank loans and other borrowings (2015: RMB251.3 million). Particulars of the bank loans and other borrowings are set out in note 30 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 2016 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 34 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.

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.

Corporate governance report

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

Environmental, Social and Governance Report

2016 Environmental, Social and Governance Report of the Company will be presented in a separate report and published on the websites of the Company and the HKEX no later than three months after the publication of this annual report.

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment.

On behalf of the Board

YANG Xiangbo
Chairman

23 March 2017

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 2016, 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 2016, 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 2016.

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 two 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 2016.

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 two meetings during the year to discuss on the remuneration package and the performance assessment of the Directors and other remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the salary adjustment of the executive director and independent non-executive directors 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 2016 are set forth as follows:

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument band		
HKD1,500,001 – HKD2,000,000	–	1
HKD2,000,001 – HKD2,500,000	2	1
HKD6,500,001 – HKD7,000,000	–	1
HKD7,000,001 – HKD7,500,000	1	–

Details of the director's emoluments are set out in note 9 to the financial statements.

CORPORATE GOVERNANCE REPORT

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 2016 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	6/6	N/A	2/2	–
YANG Ti Wei	1/1	6/6	N/A	N/A	–
Independent non-executive Directors					
ZHAO Jinlin	1/1	6/6	2/2	N/A	–
CHEN Fengliang	1/1	6/6	2/2	2/2	–
JIANG Hongkai	1/1	6/6	2/2	2/2	–
FOK Hei Yu	1/1	5/6	1/2	2/2	–

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 2016, 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 March 2016, the Group appointed a reputable internal control consultant to assist the management to review the internal control on human resources procedures and suppliers' settlement procedures of the Group for the purpose of enhancing the internal controls and efficiencies of those functions, the progress and adoption of which are reported to the Board in 2016.

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 2016.

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 2016 is set out in note 8 of this report.

During the year ended 31 December 2016, the Auditors' remuneration was RMB4.448 million in total, in respect of provision of audit services 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 2016.

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)

Opinion

What we have audited

The consolidated financial statements of Shirble Department Store Holdings (China) Limited ("**the Company**") and its subsidiaries (the "**Group**") set out on pages 38 to 100, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

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

INDEPENDENT AUDITOR'S REPORT

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Note 2.23 and Note 5 to the consolidated financial statements. Revenue of the Group includes direct sales, commission from concessionaire sales, rental income and income from reversal of long-aged unredeemed prepaid cards. Revenue for the direct sales and commission from concessionaire sales are non-complex routine transactions recognised upon delivery of goods and sales of goods by concessionaire store respectively. Given the high volume of sales transaction, the Group highly relies on its IT system to track the sales data including transaction details and customer incentive programs to process the relevant journal entries. Income from reversal of long-aged unredeemed prepaid cards is recognised when management considered the likelihood of redemption is remote. Manual adjustments made to reverse the long-aged unredeemed prepaid cards involve management estimates in the future usage rate of these long-aged prepaid card, which is based on the historical experience.	For the revenue transactions recorded by IT system: • We designed our audit procedures to assess the IT general controls including an assessment of access to programs and data, program changes, computer operation as well as program development. • We obtained a detailed understanding of the controls over the revenue cycle and evaluated the effectiveness of the system automatic and manual controls. • We performed fluctuation analysis of revenue by store and by month and investigate the reason for unusual fluctuation. We also checked the reconciliations between the cash received and revenue for the year. We were satisfied with the effectiveness of the controls over the revenue cycle. There was no unreasonable unusual transaction noted based on our fluctuation analysis and testing of cash and revenue reconciliations.

Key Audit Matter	How our audit addressed the Key Audit Matter
	For the manual adjustments of reversal of long-aged unredeemed prepaid cards: • We discussed the key assumptions used in the calculation and analyse the reasonableness by comparing to the historical data. • We obtained corroborating evidence (including the aging analysis of prepaid cards and historical usage prepaid cards) for the manual adjustments of the prepaid cards, verified the accuracy and reasonableness of corroborating evidence, and finally performed recalculation of the manual adjustments. We concurred with management's judgement based on the procedures performed. The data used and the key assumptions adopted in management's calculation were supported by the evidence we gathered and consistent with our expectation.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Sai Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	5	**1,403,919**	1,389,455
Other operating revenue	6	**125,995**	129,285
Other gains, net	7	**5,166**	3,216
Purchase of and changes in inventories	8,22	**(983,889)**	(966,506)
Employee benefits	8,9	**(184,353)**	(186,323)
Depreciation and amortisation	8	**(51,628)**	(48,500)
Operating lease rental expenses	8	**(146,730)**	(151,614)
Other operating expenses, net	8	**(110,833)**	(122,224)
Operating profit		**57,647**	46,789
Finance income	10	**28,308**	31,449
Finance costs	10	**(1,201)**	(3,190)
Finance income – net	10	**27,107**	28,259
Share of loss of associate	17	**(28)**	–
Profit before income tax		**84,726**	75,048
Income tax expense	11	**(24,232)**	(24,829)
Profit for the year		**60,494**	50,219
Profit attributable to:			
Owners of the Company		**60,494**	50,219
Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic	12(a)	**0.02**	0.02
– Diluted	12(b)	**0.02**	0.02

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	60,494	50,219
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
Item that may be reclassified to profit or loss		
Fair value change on available-for-sale financial assets, net of tax	(433)	(19)
Currency translation differences	(255)	(659)
Other comprehensive income for the year	(688)	11,325
Total comprehensive income for the year	59,806	61,544
Attributable to:		
Owners of the Company	59,806	61,544

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Investment properties	13	161,500	159,700
Property, plant and equipment	14	468,104	498,928
Intangible assets	15	19,045	18,240
Investment in associate	17	972	–
Deferred income tax assets	19	46,944	50,583
Other receivables and prepayments	21	45,709	45,654
		742,274	773,105
Current assets			
Inventories	22	168,666	165,642
Available-for-sale financial assets	20	28,936	37,265
Trade receivables, other receivables and prepayments	21	69,925	83,051
Bank deposits	23	455,907	607,533
Cash and cash equivalents	24	829,690	953,378
		1,553,124	1,846,869
Total assets		2,295,398	2,619,974
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	213,908	213,908
Share premium	25	858,649	876,986
Shares held for share award scheme	25	(10,411)	(14,531)
Other reserves	27	234,123	225,621
Retained profit/(accumulated loss)	28	44,714	(9,071)
Total equity		1,340,983	1,292,913

	Note	2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	19	12,246	10,729
Current liabilities			
Trade and other payables	29	882,684	1,008,934
Income tax payable		59,485	56,058
Borrowings	30	–	251,340
		942,169	1,316,332
Total liabilities		954,415	1,327,061
Total equity and liabilities		2,295,398	2,619,974

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

The financial statements on pages 38 to 100 were approved by the Board of Directors on 23 March 2017 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 2016

	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	Retained profit/ (accumulated loss) RMB'000	Total equity RMB'000
Balance as at 1 January 2016	213,908	876,986	(14,531)	225,621	(9,071)	1,292,913
Comprehensive income						
Profit for the year	–	–	–	–	60,494	60,494
Other comprehensive income						
Changes in fair value of available-for-sale financial assets, net (Note 27)	–	–	–	(433)	–	(433)
Currency translation differences	–	–	–	(255)	–	(255)
Total other comprehensive income	–	–	–	(688)	–	(688)
Total comprehensive income	–	–	–	(688)	60,494	59,806
Transaction with owners						
Employees' share award scheme:						
– Value of employee services (Note 26)	–	–	–	7,140	–	7,140
– Shares purchased for share award scheme (Note 25)	–	–	(747)	–	–	(747)
– Vesting of shares (Note 25, 27)	–	(208)	4,867	(4,659)	–	–
Dividend (Note 31)	–	(18,129)	–	–	–	(18,129)
Appropriation to reserves	–	–	–	6,709	(6,709)	–
Total transactions with owners	–	(18,337)	4,120	9,190	(6,709)	(11,736)
Balance as at 31 December 2016	213,908	858,649	(10,411)	234,123	44,714	1,340,983

	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	Retained profit/ (accumulated loss) RMB'000	Total equity RMB'000
Balance as 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 27)	–	–	–	(19)	–	(19)
Revaluation of property, plant and equipment transfer to investment properties, net of tax (Note 27)	–	–	–	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						
Employees' share award scheme:						
– Value of employee services (Note 26)	–	–	–	2,614	–	2,614
– Shares purchased for share award scheme (Note 25)	–	–	(14,531)	–	–	(14,531)
Dividend	–	(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 as at 31 December 2015	213,908	876,986	(14,531)	225,621	(9,071)	1,292,913

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	8,409	150,388
Interest paid		(1,201)	(3,190)
Income tax paid		(16,250)	(3,712)
Net cash (used in)/generated from operating activities		(9,042)	143,486
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and other non-current assets		(15,741)	(33,622)
Purchase of intangible assets		(4,292)	–
Capital contributions to associate		(1,000)	–
Purchase of available-for-sale financial assets		–	(518,520)
Proceeds from redemptions on maturity and disposals of available-for-sale financial assets		8,853	487,127
Proceeds from disposals of property, plant and equipment		344	114
Decrease in bank deposits		151,626	323,585
Interest received		37,568	29,213
Net cash generated from investing activities		177,358	287,897
Cash flows from financing activities			
Proceeds from borrowings		–	251,340
Repayments of borrowings		(269,462)	(236,661)
Payments for the share purchase for the employees' share award scheme		(748)	(29,033)
Dividends paid to the Company's shareholders		(18,129)	(17,352)
Net cash used in financing activities		(288,339)	(31,706)
Net (decrease)/increase in cash and cash equivalents		(120,023)	399,677
Cash and cash equivalents at beginning of year		953,378	554,810
Effect of changes in foreign exchange rate		(3,665)	(1,109)
Cash and cash equivalents at end of year	24	829,690	953,378

The notes on pages 45 to 100 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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, 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 23 March 2017.

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 Shirble Department Store Holdings (China) Limited 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 financial assets and financial liabilities at fair value through profit or loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) 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 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) 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 2016 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'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group are equity instruments currently classified as AFS for which a FVOCI election is available.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

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

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

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

IFRS 9, 'Financial instruments' *(continued)*

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15, 'Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

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

IFRS 15, 'Revenue from contracts with customers' *(continued)*

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under IFRS 15, and

- rights of return IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

IFRS 16, 'Leases'

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,858,546,000, see note 33. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

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

IFRS 16, 'Leases' *(continued)*

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

(a) 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.

(i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.2 Subsidiaries *(continued)*

(a) Consolidation *(continued)*

(i) 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 statement of income.

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.

(ii) 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)*

(a) Consolidation *(continued)*

(iii) 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

(b) 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 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.3 Associates *(continued)*

The Group's share of post-acquisition profit or loss is recognised in the statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit or loss of investments accounted for using equity method' in the statement of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the statement of income.

2.4 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)*

2.5 Foreign currency translation

(a) 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.

(b) 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 statement of income, 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 statement of income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of income within 'other gains – net'.

(c) 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:

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

(ii) income and expenses for each consolidated statement of income 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.6 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 statement of income 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
Land and 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 statement of income.

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

2.7 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 statement of income 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 statement of income as part of a valuation gain or loss in 'other gains – net'.

2.8 Intangible assets

(a) 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.

(b) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.9 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.

2.10 Financial assets

(a) 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 2016, the Group only had loans and receivables and available-for-sale financial assets.

(i) 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 2.13 and 2.14).

(ii) 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)*

2.10 Financial assets *(continued)*

(b) 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 statement of income. 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 statement of income as "other gain – net".

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

2.11 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.11 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 statement of income. 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 statement of income.

(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 statement of income.

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 statement of income on equity instruments are not reversed through the consolidated statement of income.

2.12 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)*

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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 statement of income over the period of the borrowings using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.17 Borrowings *(continued)*

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.

2.18 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 statement of income 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.

2.19 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of income, 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.

(a) 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.

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

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.20 Employee benefits

(a) 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 statement of income as incurred.

(b) 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.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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

2.21 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 statement of income, with a corresponding adjustment to equity.

2.22 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.23 Revenue recognition

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

(a) Direct sales

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

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

(b) Commission from concessionaire sales

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

(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 concessionaires and as the services are provided accordingly.

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

2.23 Revenue recognition *(continued)*

(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.

2.24 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.

2.25 Dividend income

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

2.26 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 statement of income on a straight-line basis over the periods of the lease.

2.27 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 statement of income over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2.28 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.

2.29 Shares held for share award scheme

The consideration paid by the share scheme trust (see Note 25) 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 ("**HKD**") and United States dollar ("**USD**") 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.

As at 31 December 2016, if Renminbi had strengthened/weakened by 2% (2015: 2%) against HKD with all other variables held constant, profit before tax for the year would have been approximately RMB1,416,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of HKD denominated bank balances of the Group (2015: RMB4,845,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of HKD denominated bank balances and bank borrowings of the Group).

3. Financial risk management *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

As at 31 December 2016, if Renminbi had strengthened/weakened by 2% (2015: 2%) against the USD with all other variables held constant, profit before tax for the year would have been approximately RMB1,638,000 (2015: RMB354,000) lower/higher mainly as a result of foreign exchange losses/gains on translation of USD-denominated bank balances 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.

(ii) Cash flow interest rate risk

As at 31 December 2016, except for the fixed term bank deposits of RMB455,907,000 (2015: RMB607,533,000) which were held at fixed interest rate, the Group had no other significant fixed-rate interest-bearing assets. Cash and cash equivalents bear variable interest rate at 0.01% to 2.63% per annum (2015: 0.01% to 3.14%), expose the Group to cash flow interest rate risk. 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.

As at 31 December 2016, if interest rates on bank balances at variable rates had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2016 would have been approximately RMB4,148,000 (2015: RMB1,047,000) 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 2016, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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.

	2016 RMB'000	2015 RMB'000
Maturity less than 1 year:		
Borrowings (including interest payable upon maturity)	–	254,453
Other financial liabilities	519,769	568,484

(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 2016 and 2015 were as follows:

	2016	2015
Total borrowings (Note 30)	–	251,340
Total equity	1,340,983	1,292,913
Debt-to-equity ratio	0%	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 2016	**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 20)	**–**	**28,936**	**–**	**28,936**
Investment properties (Note 13)	**–**	**–**	**161,500**	**161,500**
	–	**28,936**	**161,500**	**190,436**

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 20)	–	37,265	–	37,265
Investment properties (Note 13)	–	–	159,700	159,700
	–	37,265	159,700	196,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 13 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 (2015: 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) 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 RMB1,126,000 (2015: RMB1,249,000).

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

(b) 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 5% higher/lower than management's estimates, there is still no impairment indicated.

(c) Income taxes

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.

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 income tax are disclosed in Note 19.

(d) 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 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. Revenue

	2016 RMB'000	2015 RMB'000
Direct sales	1,122,837	1,116,100
Commission from concessionaire sales	152,666	161,330
Rental income	123,714	103,628
Income from reversal of long-aged unredeemed prepaid cards	4,702	8,397
	1,403,919	1,389,455

6. Other operating revenue

	2016 RMB'000	2015 RMB'000
Promotion, administration and management income	109,481	114,118
Credit card handling fees for concessionaire sales	11,557	11,894
Others	4,957	3,273
	125,995	129,285

7. Other gains – net

	2016 RMB'000	2015 RMB'000
Investment (loss)/gain from redemptions on maturity and disposals of available-for-sale financial assets (Note 27)	(220)	5,226
Gains from fair value adjustment on investment properties (Note 13)	1,800	4,600
Compensation for the contract damages	812	1,384
Loss on disposals of property, plant and equipment	(196)	(3,652)
Reversal of/(provision for) legal claims (Note 35)	3,842	(5,996)
Donation	(2,000)	–
Others	1,128	1,654
	5,166	3,216

8. Expenses by nature

Expenses included in purchase of and changes in inventories, employee benefits, operating lease rental expenses, depreciation and amortisation, and other operating expenses were analysed as follows:

	2016 RMB'000	2015 RMB'000
Purchase of and changes in inventories	983,889	966,506
Employee benefits expenses (Note 9)	184,353	186,323
Operating lease rental expenses	146,730	151,614
Depreciation and amortisation expenses	51,628	48,500
Utilities	53,429	40,621
Net foreign exchange (gain)/loss	(1,643)	13,242
Transportation expenses	5,944	6,026
Office expenses	5,700	5,843
Bank charge fee	6,185	5,868
Other tax expenses	1,558	4,593
Auditor's remuneration		
– Audit services	4,448	4,322
– Non-audit services	–	655
Business travel expenses	3,715	3,831
Advertising costs	1,517	2,254
Other expenses	29,980	34,969
Total expenses	1,477,433	1,475,167

9. Employee benefit expenses

	2016 RMB'000	2015 RMB'000
Wages and salaries	161,321	167,431
Social security costs	15,560	16,091
Share-based compensation expenses (Note 26)	7,140	2,614
Others	332	187
Total employee benefit expenses	184,353	186,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. Employee benefit expenses *(continued)*

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2015: two) directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining three (2015: three) individuals during the year are as follows:

	2016 RMB'000	2015 RMB'000
Basic salaries and allowances	7,233	6,953
Year-end bonuses	1,569	1,390
Contributions to the retirement scheme	31	40
Share-based compensation expenses	1,309	800
	10,142	9,183

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument band (in HK dollar)		
HKD1,500,001 – HKD2,000,000	–	1
HKD2,000,001 – HKD2,500,000	2	1
HKD6,500,001 – HKD7,000,000	–	1
HKD7,000,001 – HKD7,500,000	1	–

10. Finance income – net

	2016 RMB'000	2015 RMB'000
Finance income		
Interest income from bank deposits	28,308	31,449
Finance costs		
Interest expenses	(1,201)	(3,190)
Finance income – net	27,107	28,259

11. Income tax expenses

	2016 RMB'000	2015 RMB'000
Current income tax		
– PRC corporate income tax	18,361	20,005
Deferred income tax (Note 19)	5,871	4,824
	24,232	24,829

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:

	2016 RMB'000	2015 RMB'000
Profit before income tax	84,726	75,048
Tax calculated at a tax rate of 25% (2015: 25%)	21,181	18,762
Tax impact of:		
– Expenses not deductible for tax purposes	767	364
– Unrecognised tax loss	1,475	4,988
– Withholding tax on dividend (Note 19)	809	715
Income tax expense	24,232	24,829

(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 are 25% and 15% for all subsidiaries in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. 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 2016 due to the purchase and grant of shares for an employee' share award scheme.

	2016	2015
Profits attributable to owners of the Company (in RMB thousand)	60,494	50,219
Weighted average number of ordinary shares in issue (thousands)	2,465,841	2,486,892
Basic earnings per share (RMB per share)	0.02	0.02

(b) Diluted

The awarded shares granted by the Company (Note 26) 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).

	2016	2015
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	60,494	50,219
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	2,465,841	2,486,892
Adjustments for awarded shares	28,443	8,108
Weighted average number of ordinary shares for diluted earnings per share	2,494,284	2,495,000
Diluted earnings per share (RMB per share)	0.02	0.02

13. Investment properties

	2016 RMB'000	2015 RMB'000
As at 1 January	159,700	64,000
Transfer from property, plant and equipment (Note 14)	–	75,096
Increase in fair value at the date of transferring from property, plant and equipment (i)	–	16,004
Net gains from fair value adjustment (ii) (Note 7)	1,800	4,600
As at 31 December	161,500	159,700

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.

During the year ended 31 December 2016, gains from changes in fair value of investment properties amounting to RMB1,800,000 in 2016 (2015: RMB4,600,000) had been recognised in other gains – net.

Valuation processes of the Group

The Group's investment properties were valued as at 31 December 2016 and 2015 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

	2016 RMB'000	2015 RMB'000
Rental income	5,503	6,263

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: Nil).

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14. 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	Total RMB'000
As at 1 January 2015							
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 13)	(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
As 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
Year ended 31 December 2016							
Opening net book amount	312,051	7,576	26,963	1,428	149,629	1,281	498,928
Additions	1,105	–	4,920	36	10,799	997	17,857
Disposals (net)	–	(4)	(153)	(80)	(7)	(296)	(540)
Depreciation	(7,383)	(2,771)	(10,063)	(790)	(26,792)	(342)	(48,141)
Closing net book amount	305,773	4,801	21,667	594	133,629	1,640	468,104
As at 31 December 2016							
Cost	375,909	53,400	89,557	7,884	440,383	4,424	971,557
Accumulated depreciation	(28,136)	(46,917)	(63,738)	(7,290)	(287,803)	(2,784)	(436,668)
Impairment	(42,000)	(1,682)	(4,152)	–	(18,951)	–	(66,785)
Net book amount	305,773	4,801	21,667	594	133,629	1,640	468,104

15. Intangible assets

	Computer software RMB'000	Entry right RMB'000	Total RMB'000
As at 1 January 2015			
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
Year ended 31 December 2016			
Opening net book amount	18,240	–	18,240
Additions	4,292	–	4,292
Amortisation	(3,487)	–	(3,487)
Closing net book amount	19,045	–	19,045
As at 31 December 2016			
Cost	31,223	13,626	44,849
Accumulated amortisation	(11,752)	(2,018)	(13,770)
Impairment	(426)	(11,608)	(12,034)
Net book amount	19,045	–	19,045

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16. Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2016.

Name	Place of incorporation/operation and type of legal entity	Principal activities	Particulars of issued share capital	Equity interest held Direct	Equity interest held 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 stores	RMB30,000,000	–	100%
Shanwei Shirble Department Store Co., Ltd	The PRC, wholly foreign owned enterprises	Operation and management of department stores	HKD230,000,000	–	100%
Luhe Shirble Department Store Co., Ltd ("**Luhe Shirble**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores	RMB200,000,000	–	100%
LuFeng Shirble Department Store Co., Ltd ("**Lufeng Shirble**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores	RMB10,000,000	–	100%
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%
Shenzhen Shirble Information Consulting Co., Ltd (a)	The PRC, limited liability company	Provision of consulting services	RMB1,000,000	–	100%

(a) Shenzhen Shirble Information Consulting Co., Ltd was incorporated in Qianhai, Shenzhen on 1 July 2016.

17. Investment in associate

	2016 RMB'000
As at 1 January 2016	–
Capital contribution to associate	1,000
Share of loss	(28)
As at 31 December 2016	972

As at 31 December 2016, the investment in associate of the Group was as follows:

Name	Place of incorporation and operation	% of ownership interest	Principal activities	Measurement method
Shenzhen Jingzhe Internet Technology Co. Ltd	The PRC	10%	Trading and network technology development	Equity method

As the associate is considered not to be material to the Group, no financial information of the associate is disclosed.

18. Financial instruments by category

	Receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
As at 31 December 2016			
Assets as per balance sheet			
Available-for-sale financial assets	–	28,936	28,936
Trade and other receivables excluding prepayments	98,466	–	98,466
Bank deposits	455,907	–	455,907
Cash and cash equivalents	829,690	–	829,690
Total	1,384,063	28,936	1,412,999

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities	519,768
Total	519,768

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18. Financial instruments by category *(continued)*

	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

19. 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:

	2016 RMB'000	2015 RMB'000
Deferred income tax assets	46,944	50,583
Deferred income tax liabilities	(12,246)	(10,729)
Net deferred income tax assets	34,698	39,854

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

	2016 RMB'000	2015 RMB'000
As at 1 January	39,854	48,230
Tax charged to consolidated statement of income (Note 11)	(5,871)	(4,824)
Tax paid in related to the remittance of dividends	715	449
Tax charged to consolidated statement of comprehensive income (Note 27)	–	(4,001)
As at 31 December	34,698	39,854

19. Deferred income tax *(continued)*

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 2015	40,542	8,734	2,205	51,481
Charged to the consolidated statement of income	1,827	(2,228)	(497)	(898)
As at 31 December 2015	42,369	6,506	1,708	50,583
As at 1 January 2016	**42,369**	**6,506**	**1,708**	**50,583**
Charged to the consolidated statement of income	**2,870**	**(6,089)**	**(420)**	**(3,639)**
As at 31 December 2016	**45,239**	**417**	**1,288**	**46,944**

	Deferred tax liabilities			
	Undistributed profits of subsidiaries 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 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 27)	–	4,001	–	4,001
Charged to consolidated statement of income	715	1,572	1,639	3,926
As at 31 December 2015	715	8,375	1,639	10,729
As at 1 January 2016	**715**	**8,375**	**1,639**	**10,729**
Tax paid in related to the remittance of dividends	**(715)**	**–**	**–**	**(715)**
Charged to consolidated statement of income	**809**	**333**	**1,090**	**2,232**
As at 31 December 2016	**809**	**8,708**	**2,729**	**12,246**

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19. Deferred income tax *(continued)*

Pursuant to the Enterprise Income Tax Law in the PRC, 10% withholding tax is levied on foreign investors (5% for foreign investors who are registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As at 31 December 2016, deferred tax liabilities of RMB809,000 (2015: RMB715,000) 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 RMB13,977,000 (2015: RMB10,974,000) have not been recognised, in respect of the remaining retained profits generated by its PRC entities subsequent to 31 December 2008 amounting to RMB279,531,000 (2015: RMB219,427,000), 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 2016, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB364,530,000 (2015: RMB364,629,000) 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.

20. Available-for-sale financial assets

	2016 RMB'000	2015 RMB'000
As at 1 January	37,265	–
Additions	–	518,520
Disposals	(8,853)	(22,256)
Redemptions on maturity	–	(464,871)
Currency translation differences	1,177	665
Fair value change recognised in other comprehensive income (Note 27)	(653)	5,207
As at 31 December	28,936	37,265

The Group's available-for-sale financial assets as at 31 December 2016 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 2016. The fair value is within level 2 of the fair value hierarchy.

21. Trade receivables, other receivables and prepayments

	2016 RMB'000	2015 RMB'000
Current portion:		
Trade receivables (a)	32,841	33,105
Interest receivables	6,337	15,598
Receivable from a trustee for the share purchase for the employees' share award scheme (b)	14,755	14,502
Prepayments	2,428	8,673
Other receivables	12,074	6,662
Lease deposits	1,473	4,492
Amounts due from a related party (Note 34(c))	17	19
	69,925	83,051
Non-current portion:		
Lease deposits	30,969	30,555
Prepayments for acquisition of properties	11,125	12,007
Prepayments for purchase of computer software	–	1,661
Prepayments for construction project	1,168	1,431
Prepayments for acquisition of furniture and other equipments	2,447	–
	45,709	45,654
	115,634	128,705

(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:

	2016 RMB'000	2015 RMB'000
0 – 30 days	20,979	23,475
31 – 90 days	8,283	6,073
91 – 365 days	3,579	3,557
	32,841	33,105

As at 31 December 2016, trade receivables of RMB7,469,000 (2015: RMB5,396,000) 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 2016.

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

(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 26).

22. Inventories

	2016 RMB'000	2015 RMB'000
Merchandise held for resale	169,376	166,294
Allowance for obsolescence	(710)	(652)
	168,666	165,642

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

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	983,831	966,973
Allowance for obsolescence/(reversal of allowance)	58	(467)
	983,889	966,506

23. Bank deposits

	2016 RMB'000	2015 RMB'000
Bank deposits with initial terms of over three months	455,907	212,687
Restricted deposits	–	394,846
	455,907	607,533

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 2016 was 1.95% (2015: 2.32%).

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 2016.

As at 31 December 2016, restricted deposits of RMB nil (2015: RMB394,846,000) were held at bank as reserve for serving of debt for revolving loans provided by the bank (Note 30).

24. Cash and cash equivalents

	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	475,955	428,608
Bank deposits with initial terms within three months	353,735	524,770
	829,690	953,378

The average effective interest rate on bank deposits with initial terms within three months was 1.79% (2015: 2.53%).

25. 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 31)	–	–	(17,352)	–	(17,352)
Employees' share award scheme					
– shares held for restricted share award scheme (Note 26)	–	–	–	(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 2016	2,495,000	213,908	876,986	(14,531)	1,076,363
Dividends to equity shareholders (Note 31)	–	–	(18,129)	–	(18,129)
Employees' share award scheme					
– shares held for restricted share award scheme (Note 26)	–	–	–	(747)	(747)
– shares vested from share award scheme and transferred to the grantees (Note 26)	–	–	(208)	4,867	4,659
As at 31 December 2016	2,495,000	213,908	858,649	(10,411)	1,062,146

(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 26 for further details.

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26. 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). During the year ended 31 December 2016, the Company gave directions to the Trustee to acquire 2,000,000 more ordinary shares of the Company for a total consideration of HKD897,000 (approximately RMB747,000). In addition, the Company granted 10,184,000 shares to employees in 2016. The carrying amount of the ordinary shares acquired is presented as shares held for share award scheme in the equity (Note 25 (b)).

Movement of shares held for share award scheme for the year ended 31 December 2016 are as follows:

	Number of Shares (thousand)	**Amount RMB'000**
As at 1 January 2016	30,400	14,531
Purchase of Award Shares	2,000	747
Vesting of Award Shares	(10,184)	(4,867)
As at 31 December 2016	22,216	10,411

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.

26. Share-based payments *(continued)*

Movements of the Award Shares granted to the employees for the years ended 31 December 2016 are as follows:

	Shares granted on 13 July 2015 (thousand)	Shares granted on 17 December 2015 (thousand)	Total (thousand)
As at 1 January 2016	18,672	13,830	32,502
Granted during the period	632	–	632
Forfeited during the period	(702)	(1,248)	(1,950)
Vested during the period	(5,990)	(4,194)	(10,184)
As at 31 December 2016	12,612	8,388	21,000
Including: Award Shares granted to a director of the Company	2,490	–	2,490

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

	2016 RMB'000	2015 RMB'000
Employees (excluding directors)	6,604	2,286
Directors	536	328
Total employees benefit expenses (Note 9)	7,140	2,614

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27. Other reserves

	Statutory reserve RMB'000 (Note a)	Merger reserve RMB'000 (Note b)	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 2015	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 13)	–	–	16,004	–	–	–	16,004
Revaluation-deferred tax (Note 19)	–	–	(4,001)	–	–	–	(4,001)
Changes in fair value of available-for-sale financial assets (Note 20)	–	–	–	–	–	5,207	5,207
Recycle to statement of income upon redemptions on maturity and disposals of available-for-sale financial assets (Note 7)	–	–	–	–	–	(5,226)	(5,226)
Employees' share award scheme – value of employee service (Note 26)	–	–	–	–	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
Appropriation to statutory reserves	6,709	–	–	–	–	–	6,709
Changes in fair value of available-for-sale financial assets (Note 20)	–	–	–	–	–	(653)	(653)
Recycle to statement of income upon redemptions on maturity and disposals of available-for-sale financial assets (Note 7)	–	–	–	–	–	220	220
Employees' share award scheme: – Value of employee services (Note 26)	–	–	–	–	7,140	–	7,140
Vesting of shares	–	–	–	–	(4,659)	–	(4,659)
Currency translation differences	–	–	–	(255)	–	–	(255)
As at 31 December 2016	101,711	107,372	20,410	(423)	5,095	(42)	234,123

27. Other reserves *(continued)*

(a) 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 2016, RMB6,709,000 (2015: RMB3,253,000) was appropriated to statutory reserve.

(b) 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.

28. Retained profit/(accumulated loss)

	RMB'000
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)
As at 1 January 2016	**(9,071)**
Profit for the year	**60,494**
Appropriation to reserves	**(6,709)**
As at 31 December 2016	**44,714**

29. Trade and other payables

	2016 RMB'000	2015 RMB'000
Trade payables (a)	**222,250**	260,706
Rental payables	**182,142**	187,901
Other tax payables	**24,426**	20,155
Deferred income (b)	**25,613**	25,937
Accrued wages and salaries	**29,877**	28,835
Amount due to related parties (Note 34(c)(ii))	**177**	157
Advances from suppliers	**6,365**	6,083
Advances received from customers (c)	**266,392**	345,356
Deposits	**61,068**	61,700
Accrual for legal claims (Note 35)	**10,242**	14,084
Other payables and accruals	**54,132**	58,020
	882,684	1,008,934

All trade and other payables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2016.

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For the year ended 31 December 2016

29. Trade and other payables *(continued)*

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

	2016 RMB'000	2015 RMB'000
0 – 30 days	**100,269**	123,759
31 – 60 days	**43,062**	48,145
61 – 90 days	**19,267**	19,294
91 – 365 days	**30,329**	37,464
1 year – 2 years	**1,488**	4,240
2 years – 3 years	**2,272**	4,104
Over 3 years	**25,563**	23,700
	222,250	260,706

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

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

30. Borrowings

	2016 RMB'000	2015 RMB'000
Bank borrowings, secured	**–**	251,340

In 2016, the bank borrowings were denominated in HKD and the average interest rate for the year was 1.424% (2015: 1.321%). As at 31 December 2015, the bank borrowings were repayable within one year and secured by pledged deposits of RMB394,846,000 (Note 23).

The borrowings were fully repaid by the Group in 2016.

31. Dividends

Pursuant to the resolutions by the annual general meeting of the Company held on 24 May 2016, a final dividend of RMB0.0024 per ordinary share amounting to RMB5,928,000 out of the share premium account for the year ended 31 December 2015 was approved and paid by the Company.

Pursuant to the resolutions passed by the Board of Directors on 31 August 2016, an interim dividend of RMB0.0049 per ordinary share amounting to RMB12,201,000 out of the share premium account in respect of the six months ended 30 June 2016 was declared and paid by the Company.

On 23 March 2017, the board of directors recommended a final dividend in respect of the year ended 31 December 2016 of RMB0.0016 (equivalent to approximately HKD0.0018) per share, amounting to RMB3,963,000 (equivalent to approximately HKD4,491,000). 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.

31. Dividends *(continued)*

	2016 RMB'000	2015 RMB'000
Interim dividend paid of RMB0.0049 (2015: RMB0.0034) per ordinary share	12,201	8,376
Proposed final dividend of RMB0.0016 (2015: RMB0.0024) per ordinary share	3,963	5,928
	16,164	14,304

32. Cash generated from operations

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

	2016 RMB'000	2015 RMB'000
Profit before income tax	84,726	75,048
Adjustments for:		
Depreciation (Note 14)	48,141	45,635
Amortisation of intangible assets (Note 15)	3,487	2,865
Loss on disposals of property, plant and equipment (Note 7)	196	3,652
Share of loss of associate	28	–
Investment loss/(gain) from redemptions on maturity and disposals of available-for-sale financial assets (Note 7)	220	(5,226)
Interest income (Note 10)	(28,308)	(31,449)
Interest expense (Note 10)	1,201	3,190
Expenses on share-based payments (Note 26)	7,140	2,614
Changes in working capital (excluding the effect of acquisition and currency translation differences on consolidation):		
Inventories	(3,024)	10,490
Trade and other receivables	1,651	(20,370)
Trade and other payables	(107,049)	63,939
Cash generated from operations	8,409	150,388

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

	2016 RMB'000	2015 RMB'000
Net book amount (Note 14)	540	3,766
Loss on disposals of property, plant and equipment (Note 7)	(196)	(3,652)
Proceeds from disposals of property, plant and equipment	344	114

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For the year ended 31 December 2016

33. Commitments

(a) Capital commitments

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

	2016 RMB'000	2015 RMB'000
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	5,531	7,893

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

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

	2016 RMB'000	2015 RMB'000
Land and buildings:		
Not later than 1 year	153,999	140,708
Later than 1 year and not later than 5 years	597,238	467,946
Over 5 years	1,107,309	938,156
	1,858,546	1,546,810

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:

	2016 RMB'000	2015 RMB'000
Buildings:		
Not later than 1 year	81,678	76,317
Later than 1 year and not later than 5 years	195,259	135,536
Over 5 years	167,366	113,344
	444,303	325,197

34. 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

	2016 RMB'000	2015 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 retail shops, a training centre and employee dormitories.

(b) Rental income from related parties

	2016 RMB'000	2015 RMB'000
Lufeng Haige	2,000	3,000

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

The lease agreement between the Group and Lufeng Haige has been terminated in September 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

34. Related party transactions *(continued)*

(c) Balances with related parties

(i) Amount due from related parties

	2016 RMB'000	2015 RMB'000
Lufeng Haige	17	19

(ii) Amount due to related parties

	2016 RMB'000	2015 RMB'000
Ruizhuo Investment	141	121
Shirble Inn	36	36
	177	157

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:

	2016 RMB'000	2015 RMB'000
Basic salaries and allowances	11,920	11,485
Year-end bonuses	2,613	2,434
Contributions to the retirement scheme	59	66
Share-based compensation expenses	1,846	1,128
	16,438	15,113

35. 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 2016, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB10,242,000 (2015: RMB14,084,000), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

36. Events after the reporting period

The Board announced on 14 March 2017, that three indirect wholly owned subsidiaries of the Company have successfully tendered for the following properties for RMB611,296,200 (equivalent to approximately HKD688,013,873),

- a 4-level storey building located in Futian District, Shenzhen (the "**SZ Properties**"); and
- 14 units located on the first to fourth level of a building in Kaifu District, Changsha (the "**CS Properties**").

The SZ Properties and CS Properties to be acquired are currently leased by the Group for operational use.

The consideration was determined after a public bidding process and the Directors consider that the consideration is fair and reasonable having taken into account the location and business potential of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. Balance sheet and reserve movement of the Company

Balance sheet of the Company	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Investments of interests in subsidiaries		802,964	798,906
Current assets			
Trade and other receivables		412,117	233,640
Cash and cash equivalents		21,388	247,531
		433,505	481,171
Total assets		1,236,469	1,280,077
EQUITY			
Share capital		213,908	213,908
Share premium		858,649	876,986
Shares held for share award scheme		(10,411)	(14,531)
Other reserves		112,877	110,396
Accumulated loss		(58,792)	(35,504)
Total equity		1,116,231	1,151,255
LIABILITIES			
Current liabilities			
Trade and other payables		120,238	128,822
Total liabilities		120,238	128,822
Total equity and liabilities		1,236,469	1,280,077

The balance sheet of the Company was approved by the Board of Directors on 23 March 2017 and was signed on its behalf.

YANG Xiangbo
Director

Yang Ti Wei
Director

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

Reserve movement of the Company

	Other reserves				
	Merger reserve RMB'000	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 31 December 2015	107,372	410	2,614	(35,504)	74,892
Share award scheme					
– Value of employee services	–	–	7,140	–	7,140
– Vesting of shares	–	–	(4,659)	–	(4,659)
Loss for the year	–	–	–	(23,288)	(23,288)
As at 31 December 2016	107,372	410	5,095	(58,792)	(54,085)

38. Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2016:

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	–	1,234	15	–	–	1,249
Mr. YANG Ti Wei (i)	259	2,165	13	1,044	536	4,017
Independent non-executive directors						
ZHAO Jinlin	257	–	–	–	–	257
CHEN Fengliang	257	–	–	–	–	257
JIANG Hongkai	257	–	–	–	–	257
FOK Hei Yu	257	–	–	–	–	257
	1,287	3,399	28	1,044	536	6,294

(i) Mr. Yang Ti Wei is the chief executive officer of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

(a) Directors' emoluments *(continued)*

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	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

(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 (2015: Nil).

(c) Directors' termination benefits

No termination on the appointment of director and chief executive of the Company and certain subsidiaries occurred in 2016, thus no related termination benefits was paid (2015: Nil).

(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 (2015: 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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Central, Hong Kong

Hong Kong legal advisors

Squire Patton Boggs
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The Landmark
15 Queen's Road Central
Hong Kong

Principal bankers

In China

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

In Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
UBS AG

CORPORATE INFORMATION

Principal share registrar and transfer office in the Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
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Cayman Islands

Hong Kong share registrar

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