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

2017 ANNUAL REPORT

CONTENTS

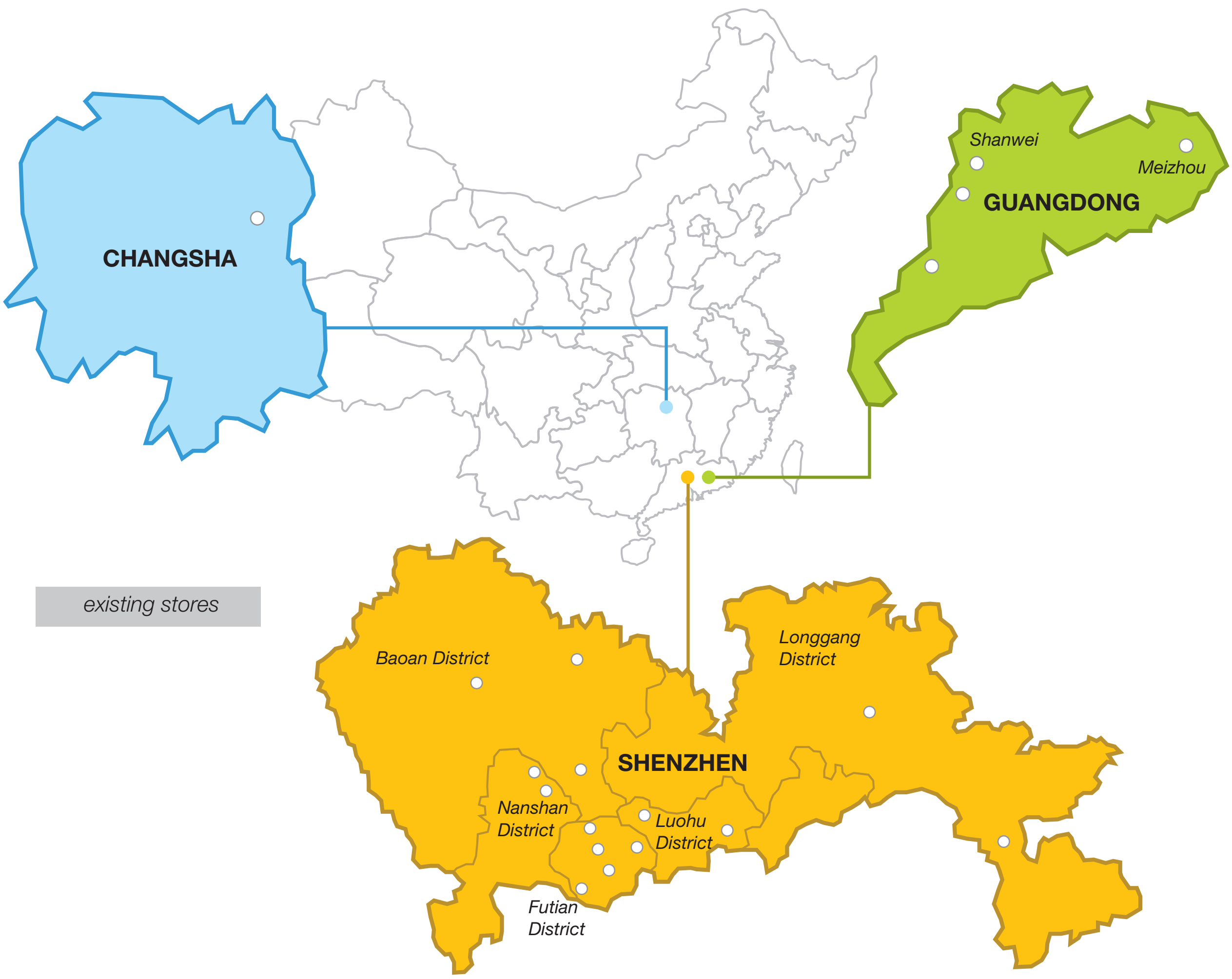
Corporate Profile	2
Financial Highlights	3
Chairman's Statement	5
Management Discussion and Analysis	9
Directors and Senior Management	14
Director's Report	17
Corporate Governance Report	27
Independent Auditor's Report	32
Consolidated Income Statement	37
Consolidated Statement of Comprehensive Income	38
Consolidated Balance Sheet	39
Consolidated Statement of Changes in Equity	41
Consolidated Statement of Cash Flows	43
Notes to the Consolidated Financial Statements	44
Corporate Information	101

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 2017, the Group owned and operated 19 department stores, 14 of which are within Shenzhen, three 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 327,445.6 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

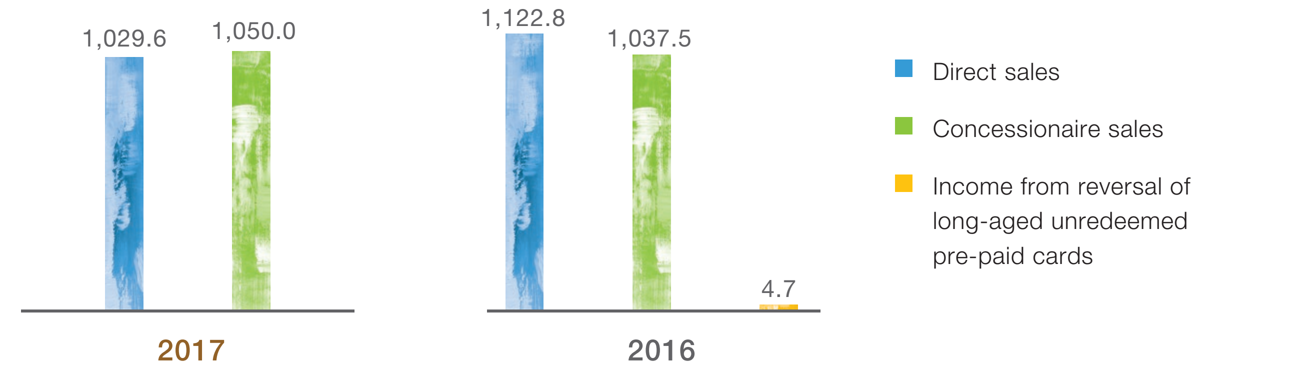
RMB'000	2017	2016	2015	2014	2013
	Year ended 31 December				
Revenue	**1,325,566**	1,403,919	1,389,455	1,268,733	1,356,502
Operating profit	**60,130**	57,647	46,789	24,773	(242,305)
Profit before income tax	**63,567**	84,726	75,048	48,483	(217,191)
Profit attributable to owners of the Company	**45,610**	60,494	50,219	32,774	(219,515)
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	0.02	0.01	(0.09)

Assets, Liabilities and Equity

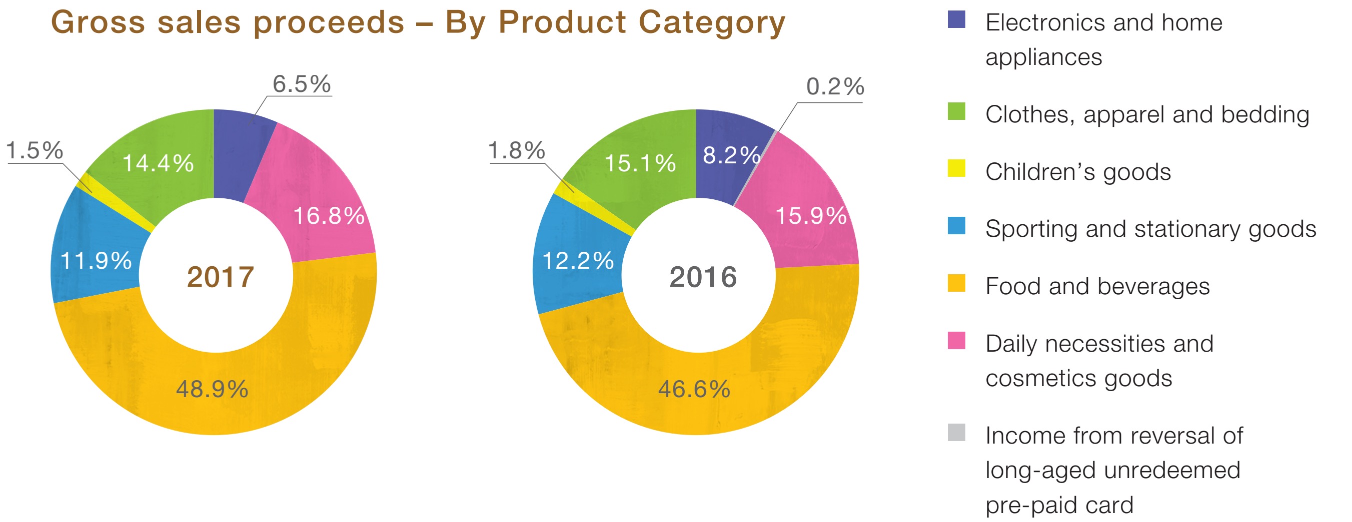
RMB'000	2017	2016	2015	2014	2013
	At 31 December				
Total assets	**2,274,547**	2,295,398	2,619,974	2,492,924	2,526,946
Total liabilities	**883,070**	954,415	1,327,061	1,232,286	1,307,477
Total equity	**1,391,477**	1,340,983	1,292,913	1,260,638	1,219,469

Gross sales proceeds – By Category

RMB (million)



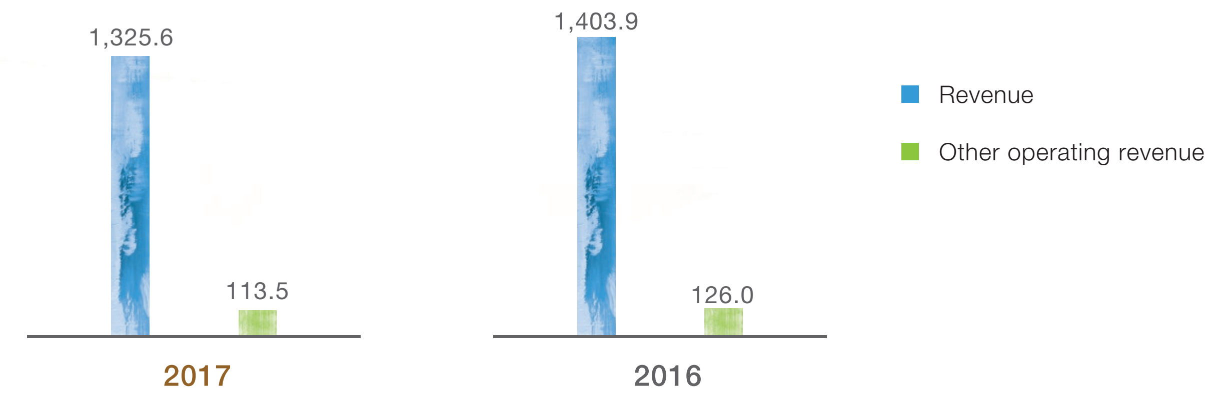
Gross sales proceeds – By Product Category



FINANCIAL HIGHLIGHTS

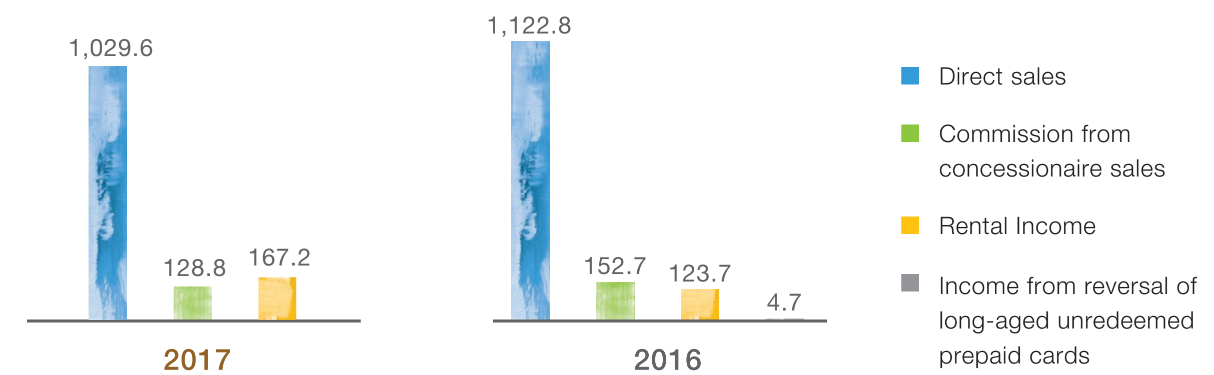
Revenue and Other Operating Revenue

RMB (million)



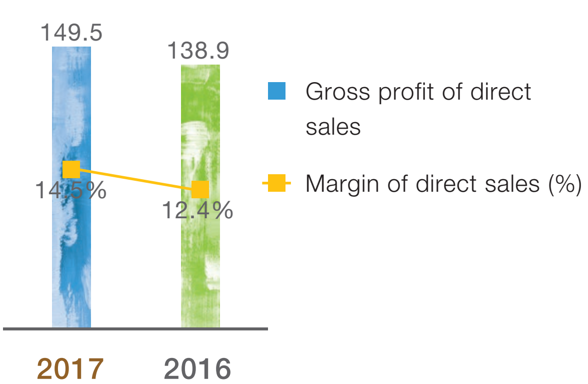
Revenue by Category

RMB (million)



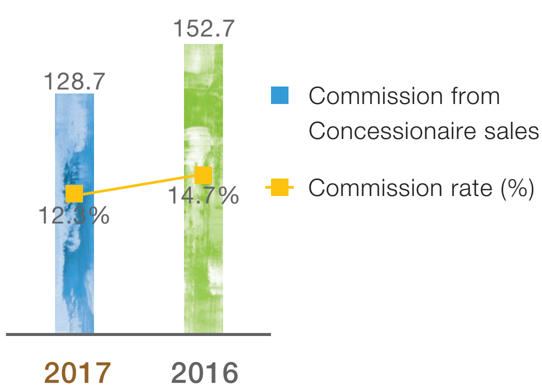
Gross Profit and Margin of Direct Sales

RMB (million)



Concessionaire Commission and Commission Rate

RMB (million)



Review of the Retail Business in the PRC

According to the National New-type Urbanisation Plan[1] (全國新型都市化計劃) (2014-2020), urbanisation in the PRC is expected to continue at the rate to reach 60% by the end of 2020. Also, the rapid growth in the size of middle class population in the PRC is expected to accelerate the economic change and social transformation. Research studies suggest that more than 75% of China's urban population will earn RMB60,000 to RMB229,000 a year[2]. This middle class group will become the largest population segment, and private consumption is expected to realise exponential growth. As at 31 December 2017, studies from National Bureau of Statistics[3] show that the total national retail sales of consumer goods reached RMB3,473.4 billion, representing an increase by 9.4% from 2016. In 2017, the online retail sales increased by 32.2% in China from 2016. The proportion of online consumption to the total retail sales increased from 12.6% in 2016 to 15.0% in 2017.

The Group follows closely the latest market development and the preference of different types of consumers, and keeps abreast of various sectors to enhance the public awareness of its "Shirble" supermarket brand and the customer loyalty, thereby enable the Group to deliver its goal of "eat better, live better" for consumers. The year of 2017 was a year of reform for the Group. The Group continued to use its three business channels, comprising the traditional Shirble Department Store ("歲寶百貨"), standalone "SMART" supermarket and new "Shirble Plaza" business model to maintain the business growth. Correspondingly, its department stores have been revamped with the target of providing an unique lifestyle shopping experience and high-quality and fashionable merchandise. Likewise, an integral part of the "Shirble Plaza" business model is the provision of premium, chic goods aimed at the middle class and consumers in the younger generation. The Group also implemented its business transformation strategy, which involves steering the Group towards a more trendy and stylish direction.

Moreover, in recent years, internet and mobile communication services have become an integral part of everyday life. Online shopping and e-commerce are developing quickly which has created fierce competition among the online retailers and challenges to the entire retail business in China. Competition is keen amongst online retailers and also prompted the integration between physical shops and online sales platforms. Many physical shops were under the threat of closure.

Capitalising this development, the Group has utilised its i-Shirble online platform to attract a wider range of consumers and have launched the i-Shirble 2.0 online platform in May 2017. This online platform offers a variety of merchandises including household products and fresh food for consumers to select, which can help to support the Group's e-commerce business.

As at 31 December 2017, the Group recorded revenue of RMB1,325.6 million, decreased by 5.6% from RMB1,403.9 million recorded in the preceding year. Profit attributable to owners of the Company amounted to RMB45.6 million or a decrease of 24.6% from RMB60.5 million last year.

For the year ended 31 December 2017, the Group operated a total of 19 department stores with a total gross floor area of 327,445.6 sq.m.

1 https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/cip/deloitte-cn-cip-cipa-retail-report-2015-en-170113.pdf

2 https://www.mckinsey.com/industries/retail/our-insights/mapping-chinas-middle-class

3 http://www.stats.gov.cn/english/PressRelease/201801/t20180126_1577681.html

4 http://www.stats.gov.cn/tjsj/sjjd/201801/t20180119_1575485.html

CHAIRMAN'S STATEMENT

Business Review

Revamping of existing stores and official launch of Shirble Plaza

During the review year, the Group continued to enhance its existing arrangement of traditional department stores under the Shirble Department Store ("歲寶百貨") brand. At the same time, the Group opened a Yitian store (益田店) in Futian District, Shenzhen, which represents the first store established by the Group that adopts the "Shirble Plaza" concept. With a gross floor area of approximately 16,500 sq.m., the new establishment will take full advantage of soaring consumption among the middle class and young consumers. Situated next to one of metro stations of the Shenzhen metro line and within walking distance to major residential areas, the store provides a plethora of quality merchandise and services. In line with the business model developed for "Shirble Plaza", the majority of space has been allocated to different retailers as oppose to concessionaire counters, which is consistent with its objective of being a fashionable one-stop shopping mall. Within "Shirble Plaza" is the Group's second "SMART" brand supermarket. Besides being the home to various pop-up stores, there is a Quarter Past Three bakery shop, the Group's self-owned bakery brand that offers a comprehensive range of high-quality bakery products.

Continuous advancement of i-Shirble platform and enhancement of shopping experience

Consistent with the Group's efforts to capitalise on e-commerce, it further upgraded the i-Shirble online platform, introducing the 2.0 iteration in May 2017. In doing so, the Group placed emphasis on providing family-oriented products and fresh food items, leveraging the quality product mix of its wholesale business. The Group also rolled out more user-friendly functions and features that appeal to the e-commerce generation. To win the trust of customers, the Group has introduced the i-Shirble service pledge that guarantees product delivery within an hour of purchase for those living within a certain distance from its stores, and orders being free of charge in cases of late delivery. Reflecting the success of the i-Shirble platform, the Group has more than 172,000 active customers/members as at 31 December 2017, up by approximately 187.0% from 92,000 as at 30 June 2017.

Direct sourcing and development of wholesale business

As more and more younger consumers trend towards more health-conscious eating by choosing healthier foods, the Group has been striving to expand its product offerings to provide high quality and safe food, as well as healthy and trendy merchandise. To boost customers' confidence in the Group offerings, Shirble's high quality food is sourced from safe food sources through direct sourcing. With a dedicated direct sourcing team that is responsible for wholesale/import and export business since 2015, the Group has been actively seeking business partners such as local retailers and distributors. A central kitchen has also been set up for the production of bread to ensure consistent quality and to prepare for wholesale opportunities.

In line with the Group's business transformation and new business development strategies, it recruited several industry veterans, including a new head of sourcing who will be responsible for selecting high-quality merchandise from overseas that will be included in the Group's product portfolio. Moreover, senior managers have joined the Group and will be entrusted with overseeing Shirble's self-owned brands, as well as further develop the Group's e-commerce presence.

Conversion of fresh food sections from concessions to direct sales

To ensure that the Group is able to deliver safe and high-quality food to its increasingly health-conscious customers, it has begun transforming its business model, moving its fresh food section completely away from concession sales to direct sales, which allow the Group to have greater control over the food quality and variety. The transformation process will also complement the Group's efforts at catering for the needs of customers by providing a large variety of freshly caught deep-sea fish, poultry, pork and vegetables sourced by its wholesale team, as well as result in an improvement in margin.

Strategic alliance with local partners in residential and urban village areas

Never overlooking opportunities, regardless of market scale, the Group has continued to explore niche markets, including urban village areas (城中村). The Group considers the establishment of compact stores or the formation of strategic alliances with local partners as viable means of penetrating these unique markets. In respect of opening compact stores, they would principally provide fresh food or convenience items.

Acquisition of premises for store development

In early 2017, the Group acquired two properties in Jingtian and Changsha where two of its traditional Shirble Department stores are located. This provided greater cost effectiveness in terms of rental costs against property depreciation to capture opportunities from appreciation in the market value of the properties. Should similar opportunities arise and depending on the current value and appreciation potential of such properties, the Group may make considerations and decisions based on capital resources available for the Group at the time.

FUTURE PLANS

Given the rise in consumption power of the middleclass, which is expected to continue increasing in the coming years, the Group will seek to further strengthen its competitiveness by way of implementing its transformation plan. This will consequently involve ongoing efforts at delivering trendy, high-quality products and services via its Shirble department stores, standalone "SMART" supermarkets and shopping malls under the "Shirble Plaza" concept.

Opening second "Shirble Plaza"

In order for the Group to raise the attention of consumers, particularly the middleclass and the young, the Group will be opening a second "Shirble Plaza" in Nankang (南康), Shenzhen. With a total GFA of approximately 18,000 sq.m., the new shopping mall will adhere to the Group's latest concept store format and positioning, hence will provide products and services of the highest quality, and capture the latest trends in fashion, health and living.

Inclusion of more imported merchandise and development of self-owned brand

As a means of increasing the variety and appeal of its products, the Group will leverage the expertise of its newly hired head of sourcing to look for overseas merchandise that enriches the product mix. Concurrently, the same individual will be entrusted with introducing high-quality products for enhancing the appeal of the Group's self-owned brands.

Enhancing the operational efficiency of supermarket fresh food section and electrical appliances section

The Group is reviewing different cooperative methods in operating its supermarket business (such as supermarket fresh food section), as well as electrical appliances business, for the purpose of improving profitability. In this connection, the Group may explore alternatives to the current direct sales business model.

With respect to the Group's electrical appliances section, the Group would gradually convert into jointly managed concession networks with retail business partners. The Directors believe that the Group will be able to reduce the costs, including costs associated with after-sales services, and reduce floor space for inventories. As with the Group's other product offerings, it will continue to review its portfolio of merchandise and introduce new products as needed to cater for the needs of customers and to keep in step with the latest trends.

Strategic move into the catering industry

Indicative of the Group's openness to new ventures, it will be diversifying into the catering industry in 2018. Via a joint venture agreement with a company, the Group will initially be able to expand its business into the catering industry. If it is favorably received by the public, the Group will look at developing zones in other parts of the PRC. It will also consider offering Japanese food created by these restaurants or other authentic cuisines at some of the Group's stores in the future.

Potential investment opportunities and property acquisitions

Besides continuously developing and refining its products and businesses, the Group is also constantly evaluating merger and acquisition opportunities in the retail and department store sectors that can lead to synergies with its existing core business. While these efforts continue, the Directors will also consider acquiring properties that enable the Group to benefit from asset appreciation, taking into consideration its capital resources.

Conclusion

On behalf of the board of directors of the Company, I would like to express my gratitude to the management team and the entire Shirble workforce for their commitment and contributions to the Group. I wish to also offer my gratitude to our partners and customers for their generous support and to our shareholders and investors for their unwavering confidence in the Group.

Financial Review

Total gross sales proceeds

During the year ended 31 December 2017, the Group's total gross sales proceeds (representing the aggregate of revenue from direct sales of the Group and total sales proceeds from concessionaire sales at the Group's department stores were RMB2,079.6 million, representing a decrease of 3.9% from RMB2,165.0 million in 2016. The decrease in total gross sales proceeds was principally due to challenging retail business environment especially for traditional physical stores.

Revenue generated from direct sales of the Group amounted to RMB1,029.6 million and the total sales proceeds from concessionaire sales amounted to RMB1,050.0 million, accounting for 49.5% and 50.5%, respectively, of the Group's total gross sales proceeds for the year ended 31 December 2017. For the year ended 31 December 2016, revenue from direct sales amounted to RMB1,122.8 million, while the total sales proceeds from concessionaires sales amounted to RMB1,037.5 million, accounted for 51.9% and 47.9% 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			
	2017		2016	
	RMB' million	(%)	RMB' million	(%)
Food and beverages	1,016.5	48.9	1,008.3	46.6
Clothes, apparel and bedding	298.8	14.4	326.1	15.1
Daily necessities and cosmetic goods	348.8	16.8	345.3	15.9
Electronics and home appliances	135.8	6.5	177.9	8.2
Sporting and stationery goods	247.8	11.9	264.8	12.2
Children's goods	31.9	1.5	37.9	1.8
Income from reversal of long-aged pre-paid gift cards	–	–	4.7	0.2
	2,079.6	100.0	2,165.0	100.0

Revenue

The Group's revenue amounted to RMB1,325.6 million for the year ended 31 December 2017, representing a decrease of 5.6% as compared to RMB1,403.9 million in 2016. Resulting from the challenging retail business environment, the decrease was principally attributable from the decrease in direct sales and commission from concessionaire sales, offset by the increase in rental income.

Direct sales decreased by 8.3% to RMB1,029.6 million for the year ended 31 December 2017 from RMB1,122.8 million in 2016, principally due to the decrease in the sales from existing stores. Direct sales as a percentage of the Group's total revenue was 77.7% for the year ended 31 December 2017 as compared to 80.0% for the year ended 31 December 2016.

Commission from concessionaire sales decreased by 15.7% to RMB128.7 million for the year ended 31 December 2017 from RMB152.7 million in 2016, mainly due to lower commission rate as a result of more promotional campaigns and 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. The commission rate of concessionaire sales was 12.3% as compared to 14.7% in 2016. Commission from concessionaire sales accounted for 9.7% of the Group's total revenue for the year ended 31 December 2017 as compared to 10.9% in 2016.

Rental income increased significantly by 35.2% to RMB167.2 million for the year ended 31 December 2017 from RMB123.7 million in 2016, 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 12.6% of the Group's total revenue for the year ended 31 December 2017 as compared to 8.8% in 2016.

No income from reversal of long-aged unredeemed pre-paid cards was recognised for the year ended 31 December 2017 as compared to RMB4.7 million in 2016 due to the gradual decrease in pre-paid card issuance in past years.

Other operating revenue

Other operating revenue decreased by 9.9% to RMB113.5 million for the year ended 31 December 2017 from RMB126.0 million in 2016, mainly due to the decrease in promotion, administration and management income.

Other gains – net

Other net gain amounted to RMB44.6 million for the year ended 31 December 2017 as compared with RMB5.2 million in 2016, mainly due to the fair value adjustment on investment properties of RMB6.9 million and the reversal of accrued rental expense of RMB33.4 million as a result of the acquisition of two properties where the Group's Jingtian and Changsha stores used to operate under lease arrangement.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB880.2 million for the year ended 31 December 2017, representing a decrease of 10.5% as compared with RMB983.9 million in 2016, which is in line with the decrease in direct sales. Purchase of and changes in inventories accounted for 85.5% of the Group's direct sales for the year ended 31 December 2017 as compared with 87.6% in 2016.

Employee benefits

Employee benefits increased slightly by 0.3% to RMB184.9 million for the year ended 31 December 2017 from RMB184.4 million in 2016, primarily due to the recruitment of new personnel for the development of the Group's new business, offset by the decrease in share-based compensation expenses incurred for the share award scheme.

Depreciation and amortization

Depreciation and amortization increased by 15.7% to RMB59.7 million for the year ended 31 December 2017 from RMB51.6 million in 2016 mainly due to the acquisition of two properties in March 2017.

Operating lease rental expenses

Operating lease rental expenses decreased by 14.8% to RMB125.0 million for the year ended 31 December 2017 from RMB146.7 million in 2016. The decrease was mainly attributable to the rental expenses for Jingtian and Changsha Store, the operating premises of which were acquired by the Group in March 2017, offset by the rental expenses incurred for the new Yitian Store.

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, increased by 56.8% to RMB173.7 million for the year ended 31 December 2017 from RMB110.8 million in 2016. This was mainly due to the new accounting treatment in respect of utility cost incurred by lessees subsequent to the change of PRC law which was originally recorded as net amount in other expenses, the net foreign exchange loss of RMB21.5 million in respect of appreciation of RMB against USD deposit, as well as the storage charge of RMB10.0 million as a result of outsourcing the distribution function to an external independent third party during the year.

Operating profit

As a result of the reasons mentioned above, the Group's operating profit amounted increased by 4.3% to RMB60.1 million for the year ended 31 December 2017 from RMB57.6 million in 2016.

Finance income

Finance income decreased by 88.0% to RMB3.4 million for the year ended 31 December 2017 from RMB28.3 million in 2016 primarily as a result of the decrease in bank deposits and cash and cash equivalent due to the acquisition of Jingtian Store and Changsha Store in March 2017.

Finance costs

No finance costs was incurred for the year ended 31 December 2017 from RMB1.2 million for the year ended 31 December 2016 as a result of the full repayment of outstanding bank borrowings in the second half of 2016.

Income tax expense

Income tax expense amounted to RMB18.1 million for the year ended 31 December 2017, representing decrease of 25.2% from RMB24.2 million for the year ended 31 December 2016. The effective tax rate applicable to the Group for the year ended 31 December 2017 were 25% for general subsidiaries. Certain of the Company's PRC subsidiaries are entitled to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income. 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 RMB45.6 million for the year ended 31 December 2017, representing a decrease of 24.6% as compared with the profit of RMB60.5 million in 2016.

Loss attributable to non-controlling interests amounted to RMB0.2 million for the year ended 31 December 2017, resulting from two newly incorporated non-wholly owned subsidiaries during 2017.

Dividend

In view of the decrease in profit attributable to the owners of the Company for 2017 and that an interim cash dividend of HK$0.0055 (equivalent to approximately RMB0.0048) per Share for the six months ended 30 June 2017 was declared and paid, the Board does not recommend any final or special dividend for the year ended 31 December 2017 (2016: RMB0.0016 (equivalent to approximately HK$0.0018) per Share).

Liquidity And Financial Resources

As at 31 December 2017, the Group's cash and cash equivalents and bank deposits amounted to RMB619.1 million, representing a decrease of 51.8% from RMB1,285.6 million as at 31 December 2016. 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.

Net current assets and net assets

The net current assets of the Group as at 31 December 2017 were RMB2.1 million (31 December 2016: RMB611.0 million), representing a decrease of 99.7%. The net assets of the Group as at 31 December 2017 increased to RMB1,391.5 million (31 December 2016: RMB1,341.0 million), representing an increase of 3.8%.

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 2017, the Group recorded a net foreign exchange loss of RMB21.5 million. For the year ended 31 December 2016, the Group recorded a net foreign exchange gain of RMB1.6 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 2017, the total number of employees of the Group was 2,420. 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 announcement, 3,172,000 Shares granted to fourteen 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.

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 2017, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB7,759,000 (2016: RMB10,242,000), 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.

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 55, 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 Yijiaguangchang Business Company Limited ("**Shirble Yijiaguangchang**"), 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, tenth and twelfth sessions 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 31, 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 49, 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 44, 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 52, 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 47, 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. In March 2018, Mr Fok was appointed as an independent non-executive director of Kaisa Health Group Holdings Limited (Stock Code: 876). 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.

Senior Management

Mr. Lam Man Tin, age 58, 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 38, 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 46, 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 2017.

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 2017 are set out in the consolidated statement of comprehensive income on page 38 of this report.

Proposed final dividends

In view of the decrease in profit attributable to owners of the Company for the second half of 2017, and that an interim cash dividend of HK$0.0055 (equivalent to approximately RMB0.0048) per Share for the six months ended 30 June 2017 or in the total amount of HK$13.7 million (equivalent to approximately RMB12.0 million) was paid, the Board does not recommend any final or special dividend for the year ended 31 December 2017 (2016: RMB0.0016 (equivalent to approximately HK$0.0018) per Share or in the total amount of RMB4.0 million (equivalent to approximately HK$4.5 million)).

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 2017 are set out in note 25 to the consolidated financial statements.

Reserves

As at 31 December 2017, distributable reserves of the Company included the Company's retained profit in the amount of RMB84.4 million and the Company's share premium in the amount of RMB842.5 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 2017.

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 re-election.

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Mr. Chen Fengliang and Mr. Jiang Hongkai will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer 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 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 2017. The annual fee for each independent non-executive Director is HK$300,000. Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Retirement schemes

Employees of the Company's subsidiaries in the PRC and Hong Kong are required to participate in defined contribution retirement schemes. Particulars of these retirement plans are set out in note 9 to the financial statements.

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

As at 31 December 2017, 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 2017, 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 2017.

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

As at 31 December 2017, 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 2017, the Directors are not aware of any person (other than a Director or chief executive of the Company) who had any interests or short positions in shares or, underlying shares of the Company as recorded in the register required to be kept under sector 336 of the SFO.

Share option scheme

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

A summary of the Scheme is as follows:

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

2. The eligible participants of the Scheme are:

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

   (ii) any employee of the Group; and

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

3. The maximum number of shares may be issued under the Scheme shall not exceed 10% of the issued share capital of the Company (i.e. 250,000,000 shares) as of 17 November 2010 (the "**Listing Date**").

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

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

6. An offer is deemed to be accepted when the Company receives from the eligible participants the offer letter signed by the eligible participants specifying the number of shares in respect of which the offer is accepted and a remittance to the Company of HK$1.00 as consideration for the grant of option. Such remittance is not refundable in any circumstances.

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

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

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

Employees' share award scheme

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

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

On 13 July 2015, the rights to receive 18,672,000 Shares have been granted to 28 eligible employees pursuant to the employee's share award scheme. 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, 3,172,000 Shares granted to fourteen 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 2017, 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 2017.

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.

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. The lease agreement between the Group and Shirble Inn has been terminated in July 2017 as a result of the combination of the Group's two stores in Luhe. Shirble Inn is ultimately controlled by Mr. YANG Xiangbo, an executive Director and a controlling shareholder (as defined in the Listing Rules) of the Company. Hence, Shirble Inn is an associates of Mr. YANG Xiangbo, being a connected person of the Company pursuant to Rules 1.01 and 14A.07(4) of the Listing Rules.

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

Pursuant to a lease agreement dated 10 January 2016, Shirble Chain Store leased from Ruizhuo Investment a property of 39.02 sq.m. located at Bao'an Road, Luohu District, Shenzhen, China for the period from 10 January 2016 to 9 January 2019 at a monthly rental of RMB1,678, i.e. an annual rental of RMB20,136. The property is used as a tobacco sales counter of the Group's Hongbao store. Ruizhuo Investment is owned in equal shares by Mr. ZHU Bijiang, who is a member of the Group's senior management team and Mr. YANG Xiangbo's nephew, and Ms. ZHU Bihui, who is Mr. YANG Xiangbo's niece. Hence, Ruizhuo Investment is a connected person of the Company under the Listing Rules.

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

For the year ended 31 December 2017, the aggregate annual rental paid under the lease agreements with Shirble Inn and Ruizhuo Investment amounted to RMB76,000. 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 2017.

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 2017. None of the Directors or shareholders who owned 5% or more of the issued shares capital of the Company as of 31 December 2017 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 2017.

Bank loans and other borrowings

As of 31 December 2017, the Group had no bank loans and other borrowings (2016: Nil).

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 2017 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 "Exempt Continuing Connected Transactions" sections above, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Controlling shareholder's interests in significant contracts

Saved as disclosed in note 33 to the financial statements with the section headed "Related Party Transactions", at no time during the year had the Company or any of its subsidiaries, and the Controlling Shareholders or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the Controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

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

2017 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

22 March 2018

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 2017, 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 2017, 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 30 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 2017.

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 2017.

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 2017.

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 2017 are set forth as follows:

The emoluments fell within the following bands:

	Number of individuals	
	2017	**2016**
Emolument band		
HKD1,500,001 – HKD2,000,000	2	–
HKD2,000,001 – HKD2,500,000	–	2
HKD2,500,001 – HKD7,000,000	–	–
HKD7,000,001 – HKD7,500,000	–	1
HKD7,500,001 – HKD8,000,000	1	–

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

Nomination Committee

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

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

Frequency of meetings and attendance

The attendance record of each of the Directors for the meetings held during the year ended 31 December 2017 is set forth below:

	Number of attendance/Number of meetings				
Name of Directors	**Shareholders**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Director					
YANG Xiangbo *(Chairman)*	1/1	8/8	N/A	2/2	–
YANG Ti Wei	1/1	8/8	N/A	N/A	–
Independent non-executive Directors					
ZHAO Jinlin	1/1	7/8	2/2	N/A	–
CHEN Fengliang	1/1	8/8	2/2	2/2	–
JIANG Hongkai	1/1	8/8	2/2	2/2	–
FOK Hei Yu	1/1	6/8	2/2	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 2017, 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.

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 2017.

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 2017 is set out in note 8 of this report.

During the year ended 31 December 2017, the Auditors' remuneration was RMB4.3 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.

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 2017.

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.

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 37 to 100 which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 2017, 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

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 2.21 and Note 5 to the Consolidated Financial Statements. Revenue of the Group includes direct sales, commission from concessionaire sales and rental income. 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 information technology ("IT") system to track the sales data including transaction details and customer incentive programs to process the relevant journal entries.	• 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.

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 statement and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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.

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.

INDEPENDENT AUDITOR'S REPORT

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 Michael W.H. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	5	1,325,566	1,403,919
Other operating revenue	6	113,453	125,995
Other gains – net	7	44,604	5,166
Purchase of and changes in inventories	8,22	(880,167)	(983,889)
Employee benefits	8,9	(184,879)	(184,353)
Depreciation and amortisation	8	(59,672)	(51,628)
Operating lease rental expenses	8	(125,038)	(146,730)
Other operating expenses, net	8	(173,737)	(110,833)
Operating profit		60,130	57,647
Finance income	10	3,403	28,308
Finance costs	10	–	(1,201)
Finance income – net	10	3,403	27,107
Share of profit/(loss) of associate	17	34	(28)
Profit before income tax		63,567	84,726
Income tax expense	11	(18,112)	(24,232)
Profit for the year		45,455	60,494
Profit attributable to:			
Owners of the Company		45,610	60,494
Non-controlling interests		(155)	–
Profit for the year		45,455	60,494
Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic earning per share	12(a)	0.02	0.02
– Diluted earning per share	12(b)	0.02	0.02

The above consolidated statement of income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Profit for the year		45,455	60,494
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Change in fair value on available-for-sale financial assets, net of tax	27	1,359	(433)
Currency translation differences	27	531	(255)
Item that will not be reclassified to profit or loss			
Change in fair value of investment properties upon transfer, net of tax	27	13,092	–
Other comprehensive income for the year		14,982	(688)
Total comprehensive income for the year		60,437	59,806
Attributable to:			
Owners of the Company		60,592	59,806
Non-controlling interests		(155)	–
Total comprehensive income for the year		60,437	59,806

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Investment properties	13	202,575	161,500
Property, plant and equipment	14	1,081,220	468,104
Intangible assets	15	18,785	19,045
Investment in an associate	17	1,006	972
Deferred income tax assets	19	42,443	46,944
Other receivables and prepayments	21	68,835	45,709
		1,414,864	742,274
Current assets			
Inventories	22	141,902	168,666
Available-for-sale financial assets	20	24,485	28,936
Trade receivables, other receivables and prepayments	21	74,208	69,925
Bank deposits	23	239,274	455,907
Cash and cash equivalents	24	379,814	829,690
		859,683	1,553,124
Total assets		2,274,547	2,295,398
EQUITY			
Share capital	25	213,908	213,908
Share premium	25	842,508	858,649
Shares held for share award scheme	25	(5,641)	(10,411)
Other reserves	27	255,482	234,123
Retained profits	28	84,445	44,714
Equity attributable to the owners of the Company		1,390,702	1,340,983
Non-controlling interests		775	–
Total equity		1,391,477	1,340,983

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	19	25,518	12,246
Current liabilities			
Trade and other payables	29	813,972	882,684
Income tax payable		43,580	59,485
		857,552	942,169
Total liabilities		883,070	954,415
Total equity and liabilities		2,274,547	2,295,398

The above consolidated balance sheet should be read in conjunction with the accompany notes.

The financial statements on pages 37 to 100 were approved by the Board of Directors on 22 March 2018 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 2017

	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 RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2017	213,908	858,649	(10,411)	234,123	44,714	1,340,983	–	1,340,983
Comprehensive income								
Profit for the year	–	–	–	–	45,610	45,610	(155)	45,455
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net (Note 27)	–	–	–	1,359	–	1,359	–	1,359
Revaluation of property, plant and equipment transfer to investment properties, net of tax	–	–	–	13,092	–	13,092	–	13,092
Currency translation differences	–	–	–	531	–	531	–	531
Total other comprehensive income	–	–	–	14,982	–	14,982	–	14,982
Total comprehensive income	–	–	–	14,982	45,610	60,592	(155)	60,437
Transaction with owners								
Capital injection	–	–	–	–	–	–	930	930
Employees' share award scheme:								
– Value of employee services (Note 26)	–	–	–	5,059	–	5,059	–	5,059
– Vesting of shares (Note 25, 27)	–	(209)	4,770	(4,561)	–	–	–	–
Dividend (Note 30)	–	(15,932)	–	–	–	(15,932)	–	(15,932)
Appropriation to reserves	–	–	–	5,879	(5,879)	–	–	–
Total transactions with owners	–	(16,141)	4,770	6,377	(5,879)	10,873	930	(9,943)
Balance as at 31 December 2017	213,908	842,508	(5,641)	255,482	84,445	1,390,702	775	1,391,477

The above consolidated statement of changes in equity should be read in conjunction with the accompany notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	(Accumulated loss)/ retained profit 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 30)	–	(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

The above consolidated statement of changes in equity should be read in conjunction with the accompany notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
		Year ended 31 December	
Cash flows from operating activities			
Cash generated from operations	31(a)	74,366	8,409
Interest paid		–	(1,201)
Income tax paid		(20,607)	(16,250)
Net cash generated from/(used in) operating activities		53,759	(9,042)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and other non-current assets		(694,774)	(15,741)
Purchase of intangible assets		(3,642)	(4,292)
Capital contributions to associate		–	(1,000)
Proceeds from redemptions on maturity and disposals of available-for-sale financial assets		4,985	8,853
Proceeds from disposals of property, plant and equipment	31(b)	83	344
Decrease in bank deposits		216,633	151,626
Interest received		8,088	37,568
Net cash (used in)/generated from investing activities		(468,627)	177,358
Cash flows from financing activities			
Cash received from investment		930	–
Repayments of borrowings		–	(269,462)
Payments for the share purchase for the employees' share award scheme		–	(748)
Dividends paid to the Company's shareholders		(23,652)	(18,129)
Net cash used in financing activities		(22,722)	(288,339)
Net decrease in cash and cash equivalents		437,590	(120,023)
Cash and cash equivalents at beginning of year		829,690	953,378
Effect of changes in foreign exchange rate		(12,286)	(3,665)
Cash and cash equivalents at end of year	24	379,814	829,690

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 22 March 2018.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Shirble Department Store Holdings (China) Limited and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with IFRS and HKCO

The consolidated financial statements of the Shirble Department Store Holdings (China) Limited have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and investment properties are measured at fair value.

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

2.1 Basis of preparation *(continued)*

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7.

The Group also elected to adopt the following amendments early.

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements to IFRS Standards 2014-2016 Cycle, and
- Transfers of Investment Property – Amendments to IAS 40.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial instruments

Nature of change

IFRS 9 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.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group's financial assets that are currently classified as available-for-sale (AFS) will 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.

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

2.1 Basis of preparation *(continued)*

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

IFRS 9 Financial instruments *(continued)*

Impact (continued)

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, RMB2,000 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

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. Based on the assessments undertaken to date, the Group expects limited effect in the loss allowance for trade debtors.

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.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15 Revenue from contracts with customers

Nature of change

The International Accounting Standards Board ("**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 and the related literature.

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.

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

2.1 Basis of preparation *(continued)*

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

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

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Accounting for the customer loyalty programme – IFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone selling prices rather than based on the residual value method. This will result in higher amounts being allocated to the goods sold and result in an earlier recognition of a portion of the revenue.

At this stage, based on the assessments undertaken to date the new rules has limited impact on the Group's financial statements.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It 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.

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

2.1 Basis of preparation *(continued)*

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

IFRS 16 Leases *(continued)*

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,468,088,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by Group

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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

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

2.2 Principles of consolidation and equity accounting *(continued)*

(c) Equity accounting *(continued)*

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost 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.

2.4 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Expenses by nature".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (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 presented 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 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 dates of the transactions); and

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

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

2.5 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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 is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term 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.

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 (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

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

2.7 Investment property

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of "Other gains – net".

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.

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 using the straight-line method over their estimated useful lives of 5 to 10 years.

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

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss,
- Loans and receivables,
- Held-to-maturity investments, and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 18 for details about each type of financial asset. For the year ended 31 December 2017, the Group only had receivables and available-for-sale financial assets.

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

2.10 Investments and other financial assets *(continued)*

(a) Classification *(continued)*

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's receivables comprise of trade and other receivables and cash and cash equivalents.

(ii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(b) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

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

2.10 Investments and other financial assets *(continued)*

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(d) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- For available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

- For other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the "Other gains – net". Interest on available-for-sale securities and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 3(e).

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

2.11 Impairment of financial assets

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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(a) Assets carried at amortised cost

For loans and receivables, 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 profit or loss. 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 profit or loss.

(b) Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, 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 on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period 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 profit or loss.

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 receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.10 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity (note 25).

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.

Where the company's shares are acquired from the market by the share scheme trust under the employee share scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as shares held for employee share scheme and deducted from total equity. Upon vesting, the related costs of the vested shares for employee share scheme purchased from the market are credited to shares held for employee share scheme, with a corresponding decrease in employee share-based compensation reserve for employee share scheme.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

2.17 Current and deferred income tax *(continued)*

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period 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.

(b) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially 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.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, 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.

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

2.18 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)*

2.19 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 conditions; 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.

2.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. 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 small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Direct sales

Timing of recognition: Revenue from direct sales of merchandise 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.

The consideration relevant to sales of merchandise that result in the award of credits to customers under the Group's customer loyalty programme, 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.

Measurement of revenue: Revenue from direct sales of merchandise is measured at the fair value of the consideration received or receivable, net of returns and trade discounts.

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.

(b) Commission from concessionaire sales

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

Measurement of revenue: Commission income is measured at the fair value of the consideration received or receivable, net of discounts.

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

2.21 Revenue recognition *(continued)*

(c) Rental income from operating leases

Timing of recognition: Rental income is recognised over the lease terms.

Measurement of revenue: 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

Timing of recognition: Revenue from promotion, administration and management fees is recognised in the accounting period in which the services are rendered.

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

(e) Credit card handling fee for concessionaire sales

Timing of recognition: Credit card handling fee for concessionaire sales is recognised when the relevant service is rendered.

Measurement of revenue: Credit card handling fee for concessionaire sales is measured at the fair value of the consideration received or receivable, net of discounts.

(f) Prepaid cards

Timing of recognition: 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.

Measurement of revenue: Revenue from prepaid cards is measured at the fair value of the consideration received or receivable net of trade discounts.

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

2.22 Interest income

Interest income is recognised using the effective interest method. When a 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 is recognised using the original effective interest rate.

2.23 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 32(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 13 and note 32(c)). The respective leased assets are included in the balance sheet based on their nature.

2.25 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.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.27 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 investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") against RMB. 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 RMB. 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 2017, if RMB had strengthened/weakened by 2% (2016: 2%) against HKD with all other variables held constant, profit before tax for the year would have been approximately RMB285,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of HKD denominated bank balances of the Group (2016: RMB1,416,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of HKD denominated bank balances of the Group).

At 31 December 2017, if RMB had strengthened/weakened by 2% (2016: 2%) against the USD with all other variables held constant, profit before tax for the year would have been approximately RMB6,289,000 (2016: RMB1,638,000) 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 RMB 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 2017, except for the fixed term bank deposits of RMB239,274,000 (2016: RMB455,907,000) 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 (2016: 0.01% to 2.63%), 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 2017, 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 2017 would have been approximately RMB1,898,000 (2016: RMB4,148,000) higher/lower.

3. Financial risk management *(continued)*

(b) Credit risk

Credit risk 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 2017, 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.

(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.

	2017 RMB'000	2016 RMB'000
Maturity less than 1 year:		
Other financial liabilities	480,319	519,769

(d) Capital management

The Group's objectives when managing capital are to

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- 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, return capital 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 2017 and 2016 were 0%.

3. Financial risk management *(continued)*

(e) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

(f) Fair value estimation

(i) Fair value hierarchy

Recurring fair value measurements 31 December 2017	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)	–	24,485	–	24,485
Investment properties (Note 13)	–	–	202,575	202,575
	–	24,485	202,575	227,060

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

There were no transfers between Levels 1, 2 and 3 during the year (2016: Nil).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3. Financial risk management *(continued)*

(f) Fair value estimation *(continued)*

(ii) Valuation techniques used to determine fair values

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

- The use of quoted market prices or dealer quotes for similar 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
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

(iii) Fair value measurements using significant unobservable inputs (level 3)

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 (2016: Nil).

4. Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(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 RMB734,000 (2016: RMB1,126,000).

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.

5. Revenue

	2017 RMB'000	2016 RMB'000
Direct sales	1,029,648	1,122,837
Commission from concessionaire sales	128,725	152,666
Rental income	167,193	123,714
Reversal of long-aged unredeemed prepaid cards	–	4,702
	1,325,566	1,403,919

6. Other operating revenue

	2017 RMB'000	2016 RMB'000
Promotion, administration and management income	94,565	109,481
Credit card handling fees for concessionaire sales	10,799	11,557
Government grant	8,089	4,957
	113,453	125,995

7. Other gains – net

	2017 RMB'000	2016 RMB'000
Reversal of accrued rental expense (a)	33,383	–
Fair value adjustment on investment properties (Note 13)	6,900	1,800
Reversal of legal claims (Note 34)	2,483	3,842
Compensation for the contract damages	409	812
Investment gain/(loss) from redemptions on maturity and disposals of available-for-sale financial assets (Note 27)	2	(220)
Donation	(80)	(2,000)
Loss on disposals of property, plant and equipment	(23)	(196)
Others	1,530	1,128
	44,604	5,166

(a) During the year 2017, the Group acquired properties in Shenzhen and Changsha, which were originally leased by the Group as department stores. As a result of the acquisition, accrual accumulated for lease incentives and future incremental lease rentals amounting to RMB33,383,000 was reversed and recognised in "Other gain – net".

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:

	2017 RMB'000	2016 RMB'000
Purchase of and changes in inventories (Note 22)	880,167	983,889
Employee benefits expenses (Note 9)	184,879	184,353
Operating lease rental expenses	125,038	146,730
Utilities	70,360	53,429
Depreciation and amortisation expenses	59,672	51,628
Net foreign exchange loss/(gain)	21,502	(1,643)
Storage charge	9,995	–
Transportation expenses	9,663	5,944
Other tax expenses	7,814	1,558
Cleaning fee	6,864	6,731
Office expenses	5,957	5,700
Bank charge fees	5,214	6,185
Business travel expenses	5,021	3,715
Auditor's remuneration		
– Audit services	4,258	4,448
Advertising costs	2,840	1,517
Other expenses	24,249	23,249
Total expenses	1,423,493	1,477,433

9. Employee benefit expenses

	2017 RMB'000	2016 RMB'000
Wages and salaries	162,889	161,321
Social security costs	16,665	15,560
Share-based compensation expenses (Note 26)	5,059	7,140
Others	266	332
Total employee benefit expenses	184,879	184,353

9. Employee benefit expenses *(continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2016: two) directors whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining three (2016: three) individuals during the year are as follows:

	2017 RMB'000	2016 RMB'000
Basic salaries and allowances	7,642	7,233
Year-end bonuses	1,580	1,569
Contributions to the retirement scheme	31	31
Share-based compensation expenses	575	1,309
	9,828	10,142

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument band (in HK dollar)		
HKD1,500,001 – HKD2,000,000	2	–
HKD2,000,001 – HKD2,500,000	–	2
HKD6,000,001 – HKD6,500,000	–	–
HKD7,000,001 – HKD7,500,000	–	1
HKD7,500,001 – HKD8,000,000	1	–

10. Finance income – net

	2017 RMB'000	2016 RMB'000
Finance income		
Interest income from bank deposits	3,403	28,308
Finance costs		
Interest expenses	–	(1,201)
Finance income – net	3,403	27,107

11. Income tax expenses

	2017 RMB'000	2016 RMB'000
Current income tax		
– PRC corporate income tax	3,894	18,361
Deferred income tax (Note 19)	14,218	5,871
	18,112	24,232

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:

	2017 RMB'000	2016 RMB'000
Profit before income tax	63,567	84,726
Tax calculated at a tax rate of 25% (2016: 25%)	15,892	21,181
Tax impact of:		
– Expenses not deductible for tax purposes	458	767
– Unrecognised tax loss	1,173	1,475
– Withholding tax on dividend (Note 19)	589	809
Income tax expense	18,112	24,232

(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% for general subsidiaries. Certain of the Company's PRC subsidiaries are entitle to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income.

12. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme (note 26).

	2017	2016
Profits attributable to owners of the Company (in RMB thousand)	45,610	60,494
Weighted average number of ordinary shares in issue (thousands)	2,482,762	2,465,841
Basic earnings per share (RMB per share)	0.02	0.02

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2017	2016
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	45,610	60,494
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	2,482,762	2,465,841
Adjustments for awarded shares	12,238	28,443
Weighted average number of ordinary shares for diluted earnings per share	2,495,000	2,494,284
Diluted earnings per share (RMB per share)	0.02	0.02

13. Investment properties

	2017 RMB'000	2016 RMB'000
As at 1 January	161,500	159,700
Acquisitions	5,275	–
Transfer from property, plant and equipment (i) (Note 14)	11,444	–
Increase in fair value upon transfer (i) (Note 27)	17,456	–
Net gains from fair value adjustment (ii) (Note 7)	6,900	1,800
As at 31 December	202,575	161,500

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

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

(i) During the year ended 31 December 2017, the Group leased certain owner-occupied premises in Shenzhen to third parties. Accordingly, it transferred these assets with an aggregate carrying amount of RMB11,444,000 from property, plant and equipment to investment properties at fair value of RMB28,900,000 and recognised an increase in fair value of RMB17,456,000 as revaluation surplus within other reserves.

(ii) During the year ended 31 December 2017, gains from changes in fair value of investment properties amounting to RMB6,900,000 in 2017 (2016: RMB1,800,000) had been recognised in "Other gains – net".

Valuation processes of the Group

The Group's investment properties were valued as at 31 December 2017 and 2016 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:

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

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

	2017 RMB'000	2016 RMB'000
Rental income	6,472	5,503

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: Nil).

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 2016							
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
Depreciation charge	(7,383)	(2,771)	(10,063)	(790)	(26,792)	(342)	(48,141)
Disposals (net)	–	(4)	(153)	(80)	(7)	(296)	(540)
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
Year ended 31 December 2017							
Opening net book amount	305,773	4,801	21,667	594	133,629	1,640	468,104
Additions (a)	636,529	1,322	6,231	–	35,397	958	680,437
Transfers to investment properties (Note 13)	(11,444)	–	–	–	–	–	(11,444)
Depreciation charge	(15,903)	(2,820)	(9,861)	(129)	(26,658)	(400)	(55,771)
Disposal:							
– Cost net of accumulated depreciation	–	(1,710)	(4,161)	(9)	(19,007)	(4)	(24,891)
– Impairment	–	1,682	4,152	–	18,951	–	24,785
Closing net book amount	914,955	3,275	18,028	456	142,312	2,194	1,081,220
As at 31 December 2017							
Cost	998,367	45,353	78,898	6,758	310,965	4,361	1,444,702
Accumulated depreciation	(44,412)	(42,078)	(60,870)	(6,302)	(168,653)	(2,167)	(321,482)
Impairment	(42,000)	–	–	–	–	–	(42,000)
Net book amount	914,955	3,275	18,028	456	142,312	2,194	1,081,220

(a) Additions to property, plant and equipment during the year ended 31 December 2017 were mainly due to the acquisition of properties in Shenzhen and Changsha (see Note 7(a)).

15. Intangible assets

	Computer software RMB'000	Entry rights RMB'000	Total RMB'000
As at 1 January 2016			
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 charge	(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
Year ended 31 December 2017			
Opening net book amount	19,045	–	19,045
Additions	3,641	–	3,641
Amortisation charge	(3,901)	–	(3,901)
Disposal:			
– Cost net of accumulated depreciation	(426)	(11,608)	(12,034)
– Impairment	426	11,608	12,034
Closing net book amount	18,785	–	18,785
As at 31 December 2017			
Cost	34,152	–	34,152
Accumulated amortisation	(15,367)	–	(15,367)
Impairment	–	–	–
Net book amount	18,785	–	18,785

16. Subsidiaries

The Group's subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2017	2016	2017	2016
Shirble Department Store Investment Limited ("**Shirble Hong Kong**")	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	100%	–	–
Shirble Department Store (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	USD1,200	100%	100%	–	–
Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Shenzhen**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in China	HKD527,407,400	100%	100%	–	–
Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**")	The PRC, limited liability company	Operation and management of department stores in China	RMB10,000,000	100%	100%	–	–
Changsha Shirble Department Store Limited Liability Company	The PRC, limited liability company	Operation and management of department stores in China	RMB30,000,000	100%	100%	–	–
Changsha Shirble Apparel Company Limited	The PRC, limited liability company	Operation of department store in China	RMB100,000	100%	100%	–	–
Shirble Mingxing Trading Company Limited	The PRC, limited liability company	Trading in China	RMB100,000	100%	100%	–	–
Shenzhen Yijiaguangchang Business Company Limited	The PRC, limited liability company	Trading in China	RMB100,000	100%	100%	–	–
Shenzhen Ruizhuo Trading Company Limited	The PRC, limited liability company	Trading in China	RMB100,000	100%	100%	–	–
Shenzhen Yuzhixiang Trading Company Limited	The PRC, limited liability company	Trading in China	RMB1,000,000	100%	100%	–	–
Dongguan Shirble Department Store Co., Ltd.	The PRC, limited liability company	Operation of department stores in China	RMB30,000,000	100%	100%	–	–
Shanwei Shirble Department Store Co., Ltd.	The PRC, wholly foreign owned enterprises	Operation and management of department stores in China	HKD230,000,000	100%	100%	–	–
Luhe Shirble Department Store Co., Ltd. ("**Luhe Shirble**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in China	RMB200,000,000	100%	100%	–	–

16. Subsidiaries *(continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2017	2016	2017	2016
LuFeng Shirble Department Store Co., Ltd. ("**Lufeng Shirble**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in China	RMB10,000,000	100%	100%	–	–
Baotong (BVI) Company Limited	British Virgin Island, limited liability company	Investment holding in British Virgin Island	USD1	100%	100%	–	–
Baotong E-commerce (Hong Kong) Company Limited	Hong Kong, limited liability company	Trading in Hong Kong	HKD1	100%	100%	–	–
Shenzhen Qianhai Baotong E-commerce Company Limited	The PRC, limited liability company	Trading in China	RMB500,000	100%	100%	–	–
Shenzhen Shirble Information Consulting Co., Ltd.	The PRC, limited liability company	Provision of consulting services in China	RMB1,000,000	100%	100%	–	–
Shenzhen Baocheng Technology Co., Ltd. (a)	The PRC, limited liability company	Provision of consulting services in China	RMB293,500,000	100%	NA	–	NA
Shenzhen Baoruntong Creative Design Co., Ltd. (b)	The PRC, limited liability company	Decoration design in China	RMB2,000,000	100%	NA	–	NA
Shenzhen i-Shirble Business Development Co., Ltd. (c)	The PRC, limited liability company	Trading in China	RMB1,000,000	100%	NA	–	NA
Shenzhen Baolong Business Development Co., Ltd. (d)	The PRC, limited liability company	Business information consultation in China	RMB1,000,000	100%	NA	–	NA
Shenzhen Baoxin Software Development Co., Ltd. (e)	The PRC, limited liability company	Software development in China	RMB1	100%	NA	–	NA
Shenzhen Chenghe Business Management Co., Ltd. (f)	The PRC, limited liability company	Trading in China	RMB1,000,000	55%	NA	45%	NA
Shenzhen Jinmaichayu Bakery Catering Co., Ltd. (g)	The PRC, limited liability company	Catering in China	RMB2,000,000	76%	NA	24%	NA

(a) Shenzhen Baocheng Technology Co., Ltd. was incorporated in Shenzhen on 17 February 2017.

(b) Shenzhen Baoruntong Creative Design Co., Ltd. was incorporated in Shenzhen on 17 February 2017.

(c) Shenzhen i-Shirble Business Development Co., Ltd. was incorporated in Shenzhen on 7 November 2017.

(d) Shenzhen Baolong Business Development Co., Ltd. was incorporated in Shenzhen on 2 June 2017.

(e) Shenzhen Baoxin Software Development Co., Ltd. was incorporated in Shenzhen on 6 December 2017.

(f) Shenzhen Chenghe Business Management Co., Ltd. was incorporated in Shenzhen on 7 August 2017.

(g) Shenzhen Jinmaichayu Bakery Catering Co., Ltd. was incorporated in Shenzhen on 17 May 2017.

17. Investment in an associate

	RMB'000
As at 1 January 2016	–
Capital contribution to an associate	1,000
Share of operating loss	(28)
As at 31 December 2016	972
As at 1 January 2017	972
Share of operating profit	34
As at 31 December 2017	1,006

As at 31 December 2017, the investment in an 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 to be not material to the Group, no financial information of the associate is disclosed.

18. Financial instruments by category

The Group holds the following financial instruments:

Financial assets	Notes	Financial assets at amortised cost RMB'000	Assets at FVOCI RMB'000	Total RMB'000
2017				
Available-for-sale financial assets	20	–	24,485	24,485
Trade and other receivables excluding prepayments	21	114,485	–	114,485
Bank deposits	23	239,274	–	239,274
Cash and cash equivalents	24	379,814	–	379,814
		733,573	24,485	758,058
2016				
Available-for-sale financial assets	20	–	28,936	28,936
Trade and other receivables excluding prepayments	21	98,466	–	98,466
Bank deposits	23	455,907	–	455,907
Cash and cash equivalents	24	829,690	–	829,690
		1,384,063	28,936	1,412,999

18. Financial instruments by category *(continued)*

Financial liabilities	Notes	Financial liabilities at amortised cost RMB'000
2017		
Trade and other payables excluding non-financial liabilities	29	480,319
2016		
Trade and other payables excluding non-financial liabilities	29	519,769

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

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:

	2017 RMB'000	2016 RMB'000
Deferred income tax assets	42,443	46,944
Deferred income tax liabilities	(25,518)	(12,246)
Net deferred income tax assets	16,925	34,698

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

	2017 RMB'000	2016 RMB'000
As at 1 January	34,698	39,854
Tax charged to consolidated statement of income (Note 11)	(14,218)	(5,871)
Tax paid in related to the remittance of dividends	809	715
Tax charged to consolidated statement of comprehensive income (Note 27)	(4,364)	–
As at 31 December	16,925	34,698

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 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
As at 1 January 2017	45,239	417	1,288	46,944
Charged to the consolidated statement of income	(3,330)	117	(1,288)	(4,501)
As at 31 December 2017	41,909	534	–	42,443

	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 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
As at 1 January 2017	809	8,708	2,729	12,246
Tax paid in related to the remittance of dividends	(809)	–	–	(809)
Charged to consolidated statement of comprehensive income	–	4,364	–	4,364
Charged to consolidated statement of income	589	3,263	5,865	9,717
As at 31 December 2017	589	16,335	8,594	25,518

19. Deferred income tax *(continued)*

Pursuant to the Corporate 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 2017, deferred tax liabilities of RMB589,000 (2016: RMB809,000) 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 RMB14,582,000 (2016: RMB13,977,000) have not been recognised, in respect of the remaining retained profits generated by its PRC entities subsequent to 31 December 2008 amounting to RMB291,644,000 (2016: RMB279,531,000), 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 2017, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB293,960,000 (2016: RMB364,530,000) 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

	2017 RMB'000	2016 RMB'000
As at 1 January	**28,936**	37,265
Disposals	–	(8,853)
Redemptions on maturity	**(4,985)**	–
Currency translation differences	**(827)**	1,177
Fair value change recognised in other comprehensive income (Note 27)	**1,361**	(653)
As at 31 December	**24,485**	28,936

The Group's available-for-sale financial assets as at 31 December 2017 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 2017. The fair value is within level 2 of the fair value hierarchy.

21. Trade receivables, other receivables and prepayments

	2017 Current RMB'000	2017 Non-current RMB'000	2017 Total RMB'000
Trade receivables (a)	31,144	–	31,144
Interest receivables	1,653	–	1,653
Receivable from a trustee for the share purchase for the employees' share award scheme (b)	5,243	–	5,243
Lease deposits	12,042	27,622	39,664
Other receivables (c)	19,463	17,318	36,781
Financial assets at amortised cost	69,545	44,940	114,485
Prepayments (d)	4,663	23,895	28,558
Total trade and other receivables	74,208	68,835	143,043

	2016 Current RMB'000	2016 Non-current RMB'000	2016 Total RMB'000
Trade receivables (a)	32,841	–	32,841
Amounts due from a related party (Note 33(e))	17	–	17
Interest receivables	6,337	–	6,337
Receivable from a trustee for the share purchase for the employees' share award scheme (b)	14,755	–	14,755
Lease deposits	1,473	30,969	32,442
Other receivables	12,074	–	12,074
Financial assets at amortised cost	67,497	30,969	98,466
Prepayments	2,428	14,740	17,168
Total trade and other receivables	69,925	45,709	115,634

(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:

	2017 RMB'000	2016 RMB'000
0 – 30 days	19,815	20,979
31 – 90 days	8,494	8,283
91 – 365 days	2,835	3,579
	31,144	32,841

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

(a) Trade receivables *(continued)*

As at 31 December 2017, trade receivables of RMB6,957,000 (2016: RMB7,469,000) 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 2017.

(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).

(c) The non-current portion of other receivable represented the accrual on rental income based on the straight-line method.

(d) The non-current portion of prepayment represented the Group's cash paid to third parties for the purchase of property, plant and equipment and intangible assets.

22. Inventories

	2017 RMB'000	2016 RMB'000
Merchandise held for resale	142,496	169,376
Allowance for obsolescence	(594)	(710)
	141,902	168,666

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

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	876,691	983,831
Allowance for obsolescence	3,476	58
	880,167	983,889

23. Bank deposits

	2017 RMB'000	2016 RMB'000
Bank deposits with initial terms of over three months	239,274	455,907

The bank deposits are denominated in RMB and USD.

The effective interest rate for the bank deposits of the Group with initial terms of over three months for the year ended 31 December 2017 was 1.17% (2016: 1.95%). The Group has no restricted deposits.

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 2017.

24. Cash and cash equivalents

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	368,595	475,955
Bank deposits with initial terms within three months	11,219	353,735
	379,814	829,690

The cash and cash equivalent are denominated in RMB, USD and HKD.

The average effective interest rate on bank deposits with initial terms within three months was 0.88% (2016: 1.79%).

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 2016	2,495,000	213,908	876,986	(14,531)	1,076,363
Dividends to equity shareholders (Note 30)	–	–	(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
As at 1 January 2017	**2,495,000**	**213,908**	**858,649**	**(10,411)**	**1,062,146**
Dividends to equity shareholders (Note 30)	**–**	**–**	**(15,932)**	**–**	**(15,932)**
Employees' share award scheme					
– shares vested from share award scheme and transferred to the grantees (Note 26)	**–**	**–**	**(209)**	**4,770**	**4,561**
As at 31 December 2017	**2,495,000**	**213,908**	**842,508**	**(5,641)**	**1,050,775**

(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.

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 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).

Movement of shares held for share award scheme for the year ended 31 December 2017 are as follows:

	Number of Shares (thousand)	Amount RMB'000
As at 1 January 2017	22,216	10,411
Vesting of Award Shares	(9,979)	(4,770)
As at 31 December 2017	12,237	5,641

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 2017 are as follows:

	Shares granted on 20 January 2017 (thousand)	Shares granted on 17 December 2015 (thousand)	Shares granted on 13 July 2015 (thousand)	Total (thousand)
As at 1 January 2017	–	8,388	12,612	21,000
Granted during the period	7,524	–	–	7,524
Forfeited during the period	(390)	(832)	–	(1,222)
Vested during the period	–	(3,778)	(6,201)	(9,979)
As at 31 December 2017	7,134	3,778	6,411	17,323
Including: Award Shares granted to a director of the Company	–	–	830	830

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

	2017 RMB'000	2016 RMB'000
Employees (excluding directors)	4,823	6,604
Directors (Note 36(a))	236	536
Total employees benefit expenses (Note 9)	5,059	7,140

27. Other reserves

	Statutory reserve RMB'000 (Note a)	Merger reserve RMB'000 (Note b)	Revaluation surplus RMB'000	Currency translation reserve RMB'000	Share-based compensation RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2016	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 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 (Note 25)	–	–	–	–	(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
Appropriation to statutory reserves	5,879	–	–	–	–	–	5,879
Revaluation of property, plant and equipment transfer to investment properties (Note 13)	–	–	17,456	–	–	–	17,456
Revaluation-deferred tax (Note 19)	–	–	(4,364)	–	–	–	(4,364)
Changes in fair value of available-for-sale financial assets (Note 20)	–	–	–	–	–	1,361	1,361
Recycle to statement of income upon redemptions on maturity of available-for-sale financial assets (Note 7)	–	–	–	–	–	(2)	(2)
Employees' share award scheme:							
– Value of employee services (Note 26)	–	–	–	–	5,059	–	5,059
– Vesting of shares (Note 25)	–	–	–	–	(4,561)	–	(4,561)
Currency translation differences	–	–	–	531	–	–	531
As at 31 December 2017	107,590	107,372	33,502	108	5,593	1,317	255,482

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 2017, RMB5,879,000 (2016: RMB6,709,000) 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. (Accumulated losses)/retained profits

	RMB'000
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
As at 1 January 2017	44,714
Profit for the year	45,610
Appropriation to reserves	(5,879)
As at 31 December 2017	84,445

29. Trade and other payables

	2017 RMB'000	2016 RMB'000
Advances received from customers (c)	263,434	266,392
Trade payables (a)	209,423	222,250
Rental payables	146,633	182,142
Deposits	61,826	61,068
Deferred income (b)	26,052	25,613
Accrued wages and salaries	17,310	29,877
Other tax payables	12,636	24,426
Accrual for legal claims (Note 34)	7,759	10,242
Amount due to related parties (Note 33(e))	161	177
Other payables and accruals	68,738	60,497
	813,972	882,684

All trade and other payables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2017.

29. Trade and other payables *(continued)*

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

	2017 RMB'000	2016 RMB'000
0 – 30 days	73,439	100,269
31 – 60 days	42,503	43,062
61 – 90 days	20,291	19,267
91 – 365 days	43,755	30,329
1 year – 2 years	3,410	1,488
2 years – 3 years	543	2,272
Over 3 years	25,482	25,563
	209,423	222,250

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

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

30. Dividends

Pursuant to the resolutions by the annual general meeting of the Company held on 23 March 2017, a final dividend of RMB0.0016 per ordinary share amounting to RMB3,963,000 out of the share premium account for the year ended 31 December 2016 was approved and paid by the Company.

Pursuant to the resolutions passed by the Board of Directors on 31 August 2017, an interim dividend of RMB0.0048 per ordinary share amounting to RMB11,969,000 out of the share premium account in respect of the six months ended 30 June 2017 was declared and paid by the Company.

The board of directors do not recommended any final dividend in respect of the year ended 31 December 2017.

	2017 RMB'000	2016 RMB'000
(i) Ordinary shares		
Interim dividend paid of RMB0.0048 (2016: RMB0.0049) per ordinary share	11,969	12,201
(ii) Dividends not recognised at the end of the reporting period		
Proposed final dividend of RMBnil (2016: RMB0.0016) per ordinary share	–	3,963

31. Cash generated from operations

(a) Cash generated from operations

	2017 RMB'000	2016 RMB'000
Profit before income tax	63,567	84,726
Adjustments for:		
Depreciation (Note 14)	55,771	48,141
Amortisation of intangible assets (Note 15)	3,901	3,487
Loss on disposals of property, plant and equipment (Note 7)	23	196
Share of (gain)/loss of associate (Note 17)	(34)	28
Investment (gain)/loss from redemptions on maturity and disposals of available-for-sale financial assets (Note 7)	(2)	220
Interest income (Note 10)	(3,403)	(28,308)
Interest expense (Note 10)	–	1,201
Expenses on share-based payments (Note 26)	5,059	7,140
Changes in working capital (excluding the effect of acquisition and currency translation differences on consolidation):		
Inventories	26,764	(3,024)
Trade and other receivables	(29,837)	1,651
Trade and other payables	(47,443)	(107,049)
Cash generated from operations	74,366	8,409

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

	2017 RMB'000	2016 RMB'000
Net book amount (Note 14)	106	540
Loss on disposals of property, plant and equipment (Note 7)	(23)	(196)
Proceeds from disposals of property, plant and equipment	83	344

32. Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2017 RMB'000	2016 RMB'000
Capital commitments – expenditures of property, plant and equipment		
– Contracted but not provided for	3,436	5,531

(b) Non-cancellable operating leases – the Group as the lessee

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

	2017 RMB'000	2016 RMB'000
Land and buildings:		
Within one year	120,712	153,999
Later than one year but not later than five years	488,561	597,238
Later than five years	858,815	1,107,309
	1,468,088	1,858,546

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) Non-cancellable operating leases – the Group as the lessor

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

	2017 RMB'000	2016 RMB'000
Buildings:		
Within one year	98,519	81,678
Later than one year but not later than five years	269,310	195,259
Later than five years	190,561	167,366
	558,390	444,303

33. Related party transactions

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest
Shirble Department Store Limited	Immediate parent entity	The British Virgin Islands	66.6%
Xiang Rong Investment Limited	Ultimate parent entity	The British Virgin Islands	66.6%

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 16.

(c) Key management personnel 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:

	2017 RMB'000	2016 RMB'000
Basic salaries and allowances	11,215	11,920
Year-end bonuses	2,624	2,613
Contributions to the retirement scheme	60	59
Share-based compensation expenses	811	1,846
	14,710	16,438

33. Related party transactions *(continued)*

(d) Transactions with other related parties

The following transactions were carried out with related parties:

Rental expenses to related parties

	2017 RMB'000	2016 RMB'000
Ruizhuo Investment	20	20
Shirble Inn (i)	56	109
	76	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.

(i) The lease agreement between the Group and Shirble Inn has been terminated in July 2017.

Rental income from related parties

	2017 RMB'000	2016 RMB'000
Lufeng Haige	–	2,000

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.

(e) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Amount due from related parties

	2017 RMB'000	2016 RMB'000
Lufeng Haige	–	17

33. Related party transactions *(continued)*

(e) Outstanding balances with related parties *(continued)*

Amount due to related parties

	2017 RMB'000	2016 RMB'000
Ruizhuo Investment	161	141
Shirble Inn (Note 33(d)(i))	–	36
	161	177

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

34. Contingent liabilities

Certain suppliers have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As at 31 December 2017, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB7,759,000 (2016: RMB10,242,000), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

35. Balance sheet and reserve movement of the Company

Balance sheet of the Company	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Investments of interests in subsidiaries		807,553	802,964
Current assets			
Trade and other receivables		365,436	412,117
Cash and cash equivalents		177,108	21,388
		542,544	433,505
Total assets		1,350,097	1,236,469
EQUITY			
Share capital		213,908	213,908
Share premium		842,508	858,649
Shares held for share award scheme	(a)	(5,641)	(10,411)
Other reserves	(b)	113,375	112,877
Accumulated loss	(b)	(79,211)	(58,792)
Total equity		1,084,939	1,116,231
LIABILITIES			
Current liabilities			
Trade and other payables		265,158	120,238
Total liabilities		265,158	120,238
Total equity and liabilities		1,350,097	1,236,469

The balance sheet of the Company was approved by the Board of Directors on 22 March 2018 and was signed on its behalf.

Yang Xiangbo
Director

Yang Ti Wei
Director

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

(a) Please refer to Note 26 for the Group's accounting policy on share held for share-based payment.

(b) 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 2016	107,372	410	5,095	(58,792)	54,085
Share award scheme					
– Value of employee services	–	–	5,059	–	5,059
– Vesting of shares	–	–	(4,561)	–	(4,561)
Profit for the year	–	–	–	(20,419)	(20,419)
As at 31 December 2017	107,372	410	5,593	(79,211)	34,164

36. Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2017:

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 (Note 26)	Total RMB'000
Executive directors						
Mr. YANG Xiangbo	–	1,246	16	–	–	1,262
Mr. YANG Ti Wei [i]	260	2,163	13	1,044	236	3,716
Independent non-executive directors						
ZHAO Jinlin	260	–	–	–	–	260
CHEN Fengliang	260	–	–	–	–	260
JIANG Hongkai	260	–	–	–	–	260
FOK Hei Yu	260	–	–	–	–	260
	1,300	3,409	29	1,044	236	6,018

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

(a) Directors' emoluments *(continued)*

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 (Note 26)	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.

(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 (2016: Nil).

(c) Directors' termination benefits

No termination on the appointment of director and chief executive of the Company and certain subsidiaries occurred in 2017, thus no related termination benefits was paid (2016: 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 (2016: 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

Auditors

PricewaterhouseCoopers
22nd Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong legal advisors

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

Principal bankers

In China

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

In Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
UBS AG

CORPORATE INFORMATION

Principal share registrar and transfer office in the Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor
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Wanchai
Hong Kong

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