

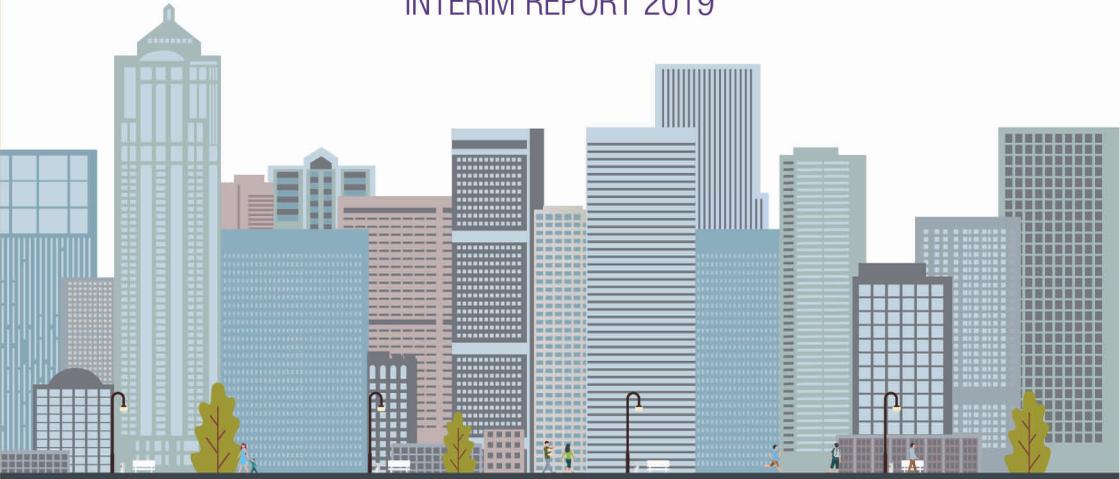


Shirble Department Store Holdings (China) Limited

歲寶百貨控股（中國）有限公司

(incorporated in the Cayman Islands with limited liability) Stock code: 312

INTERIM REPORT 2019



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CORPORATE PROFILE

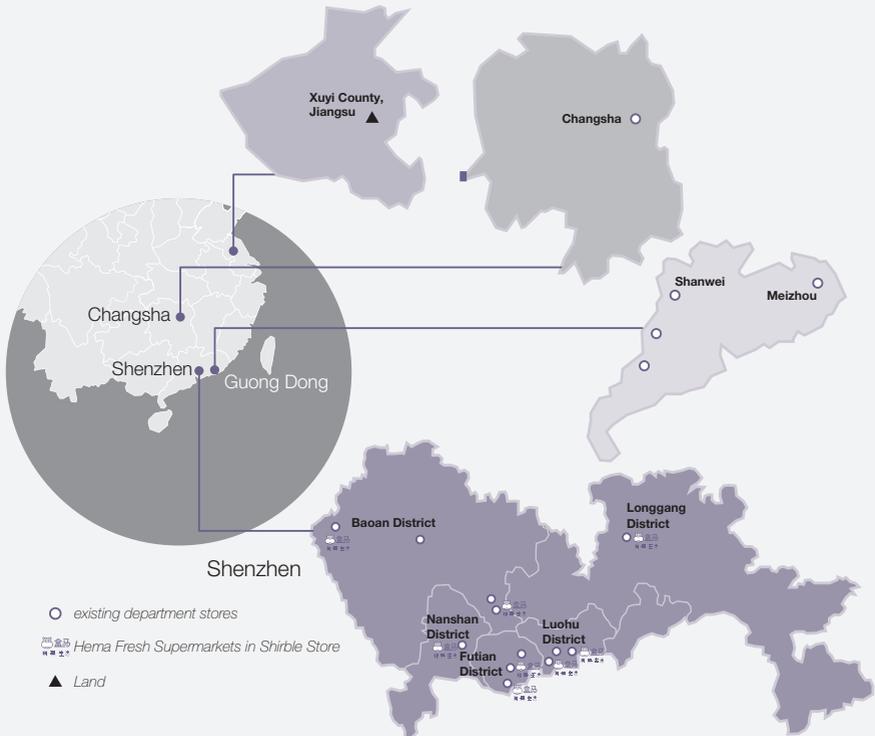
Shirble Department Store Holdings (China) Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability on 5 November 2008. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the operation of department stores in the People’s Republic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

The Group is one of the long established Shenzhen-based department store chains. As at 30 June 2019, the Group owned and operated 17 department stores, 12 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 330,627 sq.m.

The Group’s department stores target the mid-market segment and offer its customers with quality merchandise and customer-oriented services, as well as a convenient and comfortable “one-stop” shopping environment. In line with its repositioning strategy, the Group has continued appraising and enhancing its traditional department stores under the “**歲寶百貨**” brand and concept stores in “Shirble Plaza” in order to attract the middle-class and young generation in the PRC as well as meet their demand for high-quality food and products.

CORPORATE PROFILE

Since the second half of 2018, the Group has undergone several strategic changes to enhance its competitiveness and to capture other business opportunities. The Group has entered into a strategic partnership with Hema Network Technology Co. Ltd. (“**Hema**”) (“**盒馬**”) of Alibaba Group Holdings Ltd. (“**Alibaba group**”), to open Hema Fresh Supermarkets (“**盒馬鮮生超市**”) in Shirble stores, and is in the process of restructuring the tenant base for its department store sections to improve profit stability. The Group has also commenced to develop its property business, and has successfully bid the tender for a 367,165 sq.m. plot of land in Xuyi, Jiangsu Province, the PRC. In April 2019, the Group also entered into consultancy agreements to provide consultancy services for two property projects in Shenzhen.





FINANCIAL HIGHLIGHTS

OPERATING RESULTS

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	462,918	602,060
Operating profit	123,918	19,883
Profit before income tax	92,704	22,623
Profit attributable to owners of the Company	17,899	14,891
Earnings per share (expressed in RMB per share)		
– Basic and diluted	0.01	0.01

ASSETS, LIABILITIES AND EQUITY

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)	At 30 June 2018 RMB'000 (unaudited)
Total assets	4,229,821	2,250,812	2,140,261
Total liabilities	2,177,775	684,891	722,474
Total equity	2,052,046	1,565,921	1,417,787

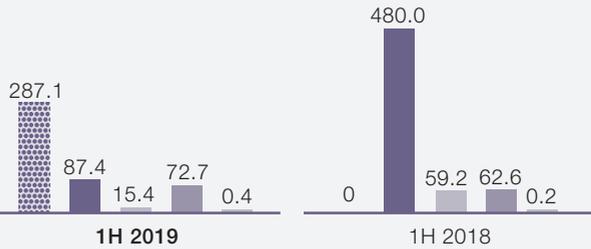
SEGMENT RESULTS

	Six months ended 30 June 2019 (unaudited)			Six months ended 30 June 2018 (unaudited)		
	Department stores business RMB'000	Property business and others RMB'000	Group RMB'000	Department stores business RMB'000	Property business and others RMB'000	Group RMB'000
Revenue	175,850	287,068	462,918	602,060	–	602,060
Operating profit	2,946	120,972	123,918	19,883	–	19,883
(Loss)/profit before income tax	(24,236)	116,940	92,704	22,623	–	22,623
(Loss)/profit for the period	(32,895)	50,766	17,871	14,622	–	14,622

FINANCIAL HIGHLIGHTS

REVENUE BY CATEGORY

RMB (million)





CHAIRMAN'S STATEMENT

Despite the global political and economic uncertainty brought by the looming Sino-US trade tension, the PRC economy recorded a stable growth with total retail sales of consumer goods up by 8.4% year-to-year between January and June 2019 to RMB19,521 billion, and the Gross Domestic Product (“GDP”) of the PRC was RMB450,933 billion during the first half of the year, representing a 6.3% increase, as compared with the six months ended 30 June 2018.

Shirble has been actively transforming its business model heeding the ever-changing climate of the retail market and the rapid development of e-commerce, which is affecting the spending pattern of consumers in China. In the process, the Group has come to realise the huge business potential of integrating online and offline platforms via cooperation with business partners, such as the partnership with Hema of Alibaba group to pilot a new retail solution under the brand name of “盒馬里 • 歲寶” in one of its stores and introduce “Hema Fresh Supermarket” at Shirble premises. It has also diversified into new business streams (namely the property and food & beverages (“F&B”) business segments) to better position the “Shirble” brand for targeting the middle-class and the young generation customers and build a sustainable business model. Starting from the end of 2018, the Group has also diversified into the property business to enrich its business activities.

As at 30 June 2019, the Group owned and operated 17 department stores with total gross floor area of 330,627 sq.m. During the period, the Group recorded revenue of RMB462.9 million (2018: RMB602.1 million). Profit attributable to owners of the Company amounted to approximately RMB17.9 million (2018: RMB14.9 million). The fluctuation was mainly due to the change of operations model and new business streams of the Group.



CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Grand opening of “Hema Fresh Supermarkets” in Shirble Stores

In June 2018, Shirble signed a strategic cooperative framework agreement with Hema of Alibaba group to transform and refurbish most of its “Shirble Supermarkets” into “Hema Fresh Supermarkets”, a new hybrid supermarket that ties together online and offline platforms, allowing customers to shop online as well as enjoy convenient, comfortable and quality shopping experience in the offline physical stores.

As one of the tenants on Shirble premises, Hema pays the Group a monthly rental to use the space, giving the Group a stable income stream at lower costs when compared with the previous business model of direct sales. In the first half of 2019, eight of the 11 Shirble supermarkets had been transformed into “Hema Fresh Supermarket”. The remaining three is expected to complete transformation by second half of 2019.

Continue to upgrade department store space and strengthen leading position of the “Shirble” Brand

In the first half of 2019, Shirble continued to upgrade and refurbish its traditional Shirble department stores, adopting the “Shirble Plaza” one-stop shopping mall concept. New retailers are carefully selected to ensure all “Shirble Plaza” stores are consistent in style for appealing to high spending groups targeted by Shirble. Moreover, instead of the previous concession sales model, the Group has changed to leasing/sub-leasing store spaces to different retailers to gradually improve its profit stability.

These measures have significantly increased customer traffic, especially for younger customers and those from the middle-class with higher-spending power, to Shirble premises. As such, the Group's department store business had occupancy rate improved and rental income up significantly in the first half of the year. Five of the selected traditional “Shirble Department Stores” had completed transformation into “Shirble Plaza” and another five are expected to complete by the end of 2019.



CHAIRMAN'S STATEMENT

Moreover, the Group has started cooperating with Hema of Alibaba group to develop a new retail solution with the pilot to be launched in the Group's Jufu Store. Hema of Alibaba group will provide its know-how and other resources to support the cooperative space, which is expected to be ready for operation by fourth quarter of 2019.

Continue to expand Shirble's presence in the food and beverages industry

In February 2018, Shirble horizontally diversified into the F&B industry via a joint venture, launching a Japanese Gourmet Street named “惠比壽橫丁” in Futian, Shenzhen, which has been gaining popularity since its opening.

Following that, in June 2019, Shirble continued to expand its presence in the F&B industry by investing a 2.73% stake in a Korean brand ice-cream chain-store “百味堂” with six stores in Hong Kong as at 30 June 2019, and four and two more stores expecting to open in Hong Kong and Shanghai respectively by end of 2019. The Group will strive to stay abreast of the latest trends and explore suitable opportunities for expanding its F&B business.

Development of the property business to complement other business streams

The PRC economy has continued to grow particularly for property markets in second- and third-tier cities having much room for development. With profound consumer and market knowledge gained from operating retail business, Shirble sees that its retail and property businesses could complement each other and create synergies with its core businesses. The Group therefore started to develop its property business since last year.

In December 2018, the Group submitted and won a tender for a 367,165 sq.m. plot of land in Xuyi, Jiangsu Province in the PRC for residential development. Furthermore, the Group's subsidiary, Shirble Management Consultant, entered into two consultancy agreements in April 2019 to provide consultancy service, including but not limited to project development and strategic advisory services for the establishment of a project team, as well as systematic analysis and consulting services for the full-cycle development, financial and capital management of two property projects in Shenzhen, namely the International Exhibition Center Project and the Peng Zhan Hui Projects, which could yield a service fee of not more than RMB1.0 billion and RMB120 million respectively.



CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK

Cooperation with Alibaba to develop new retail solution

Moving forward, the Group will continue to reposition and transform the “Shirble” brand by revamping its department stores and re-positioning them as trendy one-stop shopping malls, and introducing more trendy and young brands into its tenant mix to attract more high spending middle-income customers.

The Group will also strengthen the strategic alliance with Hema of Alibaba group, particularly for those newly-opened supermarkets and department stores in the Southern China region.

With new and disruptive technologies emerging to the benefit of the retail industry, Shirble will continue to actively work with Hema of Alibaba group in its Jufu store piloting a new retail solution under the brand name of “盒馬里 • 歲寶”. The Group plans to cooperate with Hema of Alibaba group on various aspects including the operational model of the store, store layout, software systems and hardware design and development, procurement of goods and data management.

The new retail solution is expected to be a breakthrough in retailing, removing the space constraint of the traditional retail business model. With a modern parent-and-child-friendly setting for Jufu store, it will provide an online-to-offline integrated space that gives offline retailers an “online solution” and online retailers an “offline solution” for them to effectively maximize sales. Data analysis technology will also be precisely applied to boost sales and efficiency.



CHAIRMAN'S STATEMENT

Continue to Expand the Property Market

Moving forward, Shirble will continue to expand the property business with focus in the Greater Bay Area, focusing on both property project management business and property development business. The property project management business involves the provision of comprehensive value-added consultancy services to property project owners or developers, gives the Group a stable revenue stream, which is different from the latter which requires heavy investment in fixed assets.

For property development business, the Group will continue to bolster its land reserve through bidding, equity acquisitions, joint ventures, and development and sales of properties under Shirble's brand name. Its aim is to increase the brand exposure in the property market in the PRC so as to facilitate the long term growth of the business.

Building on its strong presence in the retail market in Shenzhen and Guangdong, Shirble will continue to extend its reach to other regions in the PRC and diversify business through further integration of its department store and property businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Commencing from the year ended 31 December 2018, the Group started to develop its property business, and has commenced to operate in two distinct segments of business activities : (i) Department stores business – operation of department stores; and (ii) Property business and others – property business and unallocated items. No segmental analysis is presented prior to 2018.

The following discussions and analyses are based on the Group as a whole and the operating results of each business segment.

(a) The Group

Due to various strategic changes to the Group's business model commencing in 2018 (including the change in operating model for department store business, and the addition of the new property business), the overall financial results of the Group have undergone a structural change, resulting in the significant fluctuations of the financial results.

Revenue of the Group amounted to RMB462.9 million for the six months ended 30 June 2019, representing a significant decrease of 23.1% as compared to RMB602.1 million in the corresponding period of 2018. As a result of the strategic cooperation with Hema and store renovation/upgrade of the remaining department store section of selected department stores, the decrease was mainly due to the short suspension of business during renovation and the shift from direct sales and concession sales to rental income for re-opened stores. The decrease was offset by the new service income of RMB287.1 million generated from the provision of consultancy services under its property business.

Profit attributable to owners of the Company amounted to RMB17.9 million for the six months ended 30 June 2019, representing an increase of 20.1% as compared with RMB14.9 million in the corresponding period of 2018. The increase was mainly due to the combined fluctuations in revenue and the corresponding changes in operating costs, offset by the fair value loss of RMB117.7 million as a result of the disposal of 19% of shares in TFG.



MANAGEMENT DISCUSSION AND ANALYSIS

(b) Department stores business segment

Set out below is the segmental information of the Group's department stores business for the six months ended 30 June 2019:

	Six months ended 30 June (Unaudited)	
	2019 RMB'000	2018 RMB'000
Revenue	175,850	602,060
Other operating revenue	35,960	67,976
Other (losses)/gains – net	(17,031)	27,476
Purchase of and changes in inventories	(81,532)	(412,337)
Employee benefits	(46,129)	(91,420)
Depreciation and amortisation	(17,331)	(34,078)
Operating lease rental expenses	–	(67,600)
Other operating expenses – net	(46,841)	(72,194)
Operating profit	2,946	19,883
Finance income	6,105	3,869
Finance costs	(32,006)	–
Finance (costs)/income – net	(25,901)	3,869
Share of losses of an associate and a joint venture	(1,281)	(1,129)
(Loss)/profit before income tax	(24,236)	22,623
Income tax expense	(8,659)	(8,001)
(Loss)/profit for the period	(32,895)	14,622

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Starting from July 2018, both the operating models in respect of the Group's supermarket and department store sections are being gradually transformed following a series of renovation work at the stores. Due to the suspension of business during store renovation, revenue decreased to RMB175.9 million for the six months ended 30 June 2019 from RMB602.1 million in the corresponding period of 2018, representing a drop of 70.8%. Upon completion of the transformation, the supermarket section changed from a self-operating business which use to generate direct sales, to a "store-within-a-store" Hema Fresh Supermarkets which generates sub-lease/lease rental income under the strategic cooperation arrangement with Hema. For department store section, the original concession sales arrangement was changed to sublease/lease arrangement as a result of the upgrade of store layout and restructuring of new tenant base and terms. The changes in revenue breakdown of the Group's department store business were as follows:

	Six months ended 30 June		Percentage of department store's revenue of the Group	
	2019 RMB'000	2018 RMB'000	2019 %	2018 %
Direct sales	87,380	480,023	49.7	79.7
Commission from concessionaire sales	15,376	59,177	8.7	9.8
Rental income	72,704	62,631	41.3	10.4
Income from reversal of long-aged unredeemed pre-paid cards	390	229	0.3	0.1
Total	175,850	602,060	100	100



MANAGEMENT DISCUSSION AND ANALYSIS

Due to the above, (i) direct sales decreased by 81.8% to RMB87.4 million for the six months ended 30 June 2019 from RMB480.0 million for the same period in 2018. (ii) Commission from concessionaire sales decreased by 74.0% to RMB15.4 million for the six months ended 30 June 2019 from RMB59.2 million for the same period in 2018. (iii) Rental income increased by 16.1% to RMB72.7 million for the six months ended 30 June 2019 from RMB62.6 million for the same period in 2018. (iv) Income from reversal of long-aged unredeemed pre-paid cards was RMB0.4 million for the six months ended 30 June 2019 as compared with RMB0.2 million for the same period in 2018.

Other operating revenue

Other operating revenue decreased by 47.1% to RMB36.0 million for the six months ended 30 June 2019 from RMB68.0 million in the corresponding period in 2018, mainly due to the decrease in promotion, administration and management income during the time of transformation.

Other (losses)/gains, net

Other net losses amounted to RMB17.0 million for the six months ended 30 June 2019 as compared with other net gains of RMB27.5 million in the corresponding period of 2018. The net losses on fair value on investment properties of RMB15.5 million for the six months ended 30 June 2019 was compared to the reversal of long-aged accounts payable of RMB16.6 million and fair value gain on investment properties of RMB5.1 million for the same period in 2018.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB81.5 million for the six months ended 30 June 2019, representing a significantly decrease of 80.2% as compared with RMB412.3 million in the corresponding period of 2018, which is in line with the decrease in direct sales. As a percentage of revenue from direct sales, purchase of and changes in inventories was 93.2% for the six months ended 30 June 2019 as compared with 85.9% for the same period in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee benefits

Employee benefits decreased significantly by 49.6% to RMB46.1 million for the six months ended 30 June 2019 from RMB91.4 million in the corresponding period of 2018, primarily due to the decrease in the number of headcounts of the Group since June 2018 as a result of the redefinition of business model and change in operation to shift from a manpower-heavy direct sales business to the receipt of lease payments.

Depreciation and amortisation

Depreciation and amortisation decreased significantly by 49.3% to RMB17.3 million for the six months ended 30 June 2019 from RMB34.1 million in the corresponding period in 2018. The decrease was mainly due to an one-off write-off expense on the residual value of decoration in relation to the store area dedicated for the business cooperation with Hema recognised in the second half of 2018.

Operating lease rental expenses

There was no operating lease rental expenses for the six months ended 30 June 2019 as compared to RMB67.6 million in the corresponding period of 2018 due to the new accounting treatment under IFRS 16 “Leases”.

Other operating expenses, net

Other operating expenses, which were principally comprised of utilities expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges, exchange differences and maintenance expenses, decreased by 35.2% to RMB46.8 million for the six months ended 30 June 2019 from RMB72.2 million in the corresponding period of 2018. This was primarily due to decrease in delivery expenses as a result of the change in business model and decrease in utilities expenses during store renovation.

Operating profit

As a result of the reasons mentioned above, the department stores business segment’s operating profit amounted to RMB2.9 million for the six months ended 30 June 2019 as compared with the department store business segment’s operating profit of RMB19.9 million for the six months ended 30 June 2018.



MANAGEMENT DISCUSSION AND ANALYSIS

Finance income

Finance income increased by 56.4% to RMB6.1 million for the six months ended 30 June 2019 as compared to RMB3.9 million in the corresponding period of 2018, mainly due to the increase in interest income from finance lease as lessor as a result of the adoption of IFRS 16 “Leases”.

Finance costs

Finance costs amounted to RMB32.0 million for the six months ended 30 June 2019, mainly due to the increase in interest expense from operating lease as lessee as a result of the adoption of IFRS 16 “Leases”. No finance cost was incurred for the six months ended 30 June 2018.

Income tax expense

Income tax expense amounted to RMB8.7 million for the six months ended 30 June 2019 as compared to RMB8.0 million in the corresponding period of 2018. The effective tax rate applicable to the Group for the six months ended 30 June 2019 were 25% for general subsidiaries. Certain PRC subsidiaries of the Company 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%.

Loss for the period

As a result of the aforementioned, loss attributable to the department stores business segment amounted to RMB32.9 million for the six months ended 30 June 2019 as compared with the profit of RMB14.6 million in corresponding period in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

(c) Property business and others segment

Set out below is the segmental information of the Group's property business and others for the six months ended 30 June 2019.

	Six months ended 30 June (Unaudited)	
	2019 RMB'000	2018 RMB'000
Revenue	287,068	–
Other losses – net	(117,667)	–
Employee benefits	(36,825)	–
Depreciation and amortisation	(4,409)	–
Other operating expenses – net	(7,195)	–
Operating profit	120,972	–
Finance income	5	–
Finance costs	(4,037)	–
Finance costs – net	(4,032)	–
Profit before income tax	116,940	–
Income tax expense	(66,174)	–
Profit for the period	50,766	–



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue from property business amounted to RMB287.1 million, representing the consultancy services fee received under the Integrated Consulting Service Agreements entered into by the Group in 2019.

Other losses – net

Other net losses amounted to RMB117.7 million for the six months ended 30 June 2019, representing the fair value loss on financial instruments as a result of the disposal of 19% shares in TFG in respect of the sale and purchase agreement entered into between Baoke and an independent third party on 26 June 2019. For further details, please refer to Note 17 “Derivative Financial Instrument” to the interim financial information in this report.

Employee benefits

Employee benefits amounted to RMB36.8 million for the six months ended 30 June 2019, representing the employee’s emolument for the Group’s property business and Hong Kong headquarter.

Depreciation and amortisation

Depreciation and amortisation amounted to RMB4.4 million for the six months ended 30 June 2019 in respect of Hong Kong headquarters’ office.

Other operating expenses, net

Other operating expenses amounted to RMB7.2 million for the six months ended 30 June 2019, representing Hong Kong headquarter’s and property business overheads.

Finance costs

Finance costs amounted to RMB4.0 million, representing mainly the interest expenses of bank loan for the six months ended 30 June 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

Income tax expense amounted to RMB66.2 million for the six months ended 30 June 2019.

Profit for the period

As a result of the above, profit attributable to the property business and others segment amounted to RMB50.8 million for the six months ended 30 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group's cash and cash equivalents and bank deposits amounted to RMB246.0 million, representing a decrease of 29.8% from RMB350.6 million as at 31 December 2018. The cash and cash equivalents and bank deposits, which were in RMB and Hong Kong dollars, were deposited with banks in Hong Kong and the PRC for interest income.

In March 2019, the Group obtained secured and unsecured credit facilities amounting to RMB460.0 million from certain PRC banks which were secured by certain properties in PRC owned by the Group.

Borrowings

As at 30 June 2019, the Group has borrowings of RMB188.0 million (31 December 2018: RMB9.0 million), representing long-term secured bank borrowings in RMB secured by the charge of two PRC properties denominated in RMB.

Net current assets and net assets

The net current assets of the Group as at 30 June 2019 were RMB369.8 million (31 December 2018: RMB121.2 million). The net assets of the Group as at 30 June 2019 increased to RMB 2,052.0 million (31 December 2018: RMB1,565.9 million), representing an increase of 31.0%. The fluctuation represents mainly impacts on changes in accounting policies.



MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange exposure

The business operations of the Group is primarily in the PRC with most of its transactions settled in RMB. Certain of the Group's cash and bank balances are denominated in Hong Kong dollars and United States dollars. The Company pays dividends in Hong Kong dollars. These exposed the Group to foreign exchange risks arising from the movements in the exchange rate between Hong Kong dollars and RMB. For the six months ended 30 June 2019, the Group recorded a net foreign exchange loss of RMB5.9 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 30 June 2019, the total number of employees of the Group was 890. 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 used the key performance indicators assessment system to assess the performance of employees 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 employees' share award scheme (the "**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 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, an aggregate of 7,524,000 Shares were granted to 50 eligible employees. As approved by the Board under the Share Award Scheme, the 40,026,000 Shares and the related income will be vested to the relevant employees during a period of three years commenced 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, 4,834,600 shares granted to 34 eligible employees have not been vested due to departure, while an additional of 553,200 Shares have been granted to two eligible employees upon their promotion on 13 July 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

Certain suppliers, vendors and employees have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms. As at 30 June 2019, these legal proceedings were ongoing. The Group has made an accumulated provision of RMB4.1 million (31 December 2018: RMB3.5 million) for any loss or damages that may be required to be paid by the Group. The Directors believe that such amount of provision is adequate to cover the Group's possible liabilities, under these claims.

Material acquisitions and disposals of subsidiaries

There is no material acquisition and disposal of subsidiaries and associated companies during the period under review.



INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
	Note	2019 RMB'000	2018 RMB'000
Revenue	7	462,918	602,060
Other operating revenue	8	35,960	67,976
Other (losses)/gains – net	9	(134,698)	27,476
Purchase of and changes in inventories	10	(81,532)	(412,337)
Employee benefits	10	(82,954)	(91,420)
Depreciation and amortisation	10	(21,740)	(34,078)
Operating lease rental expenses	10	–	(67,600)
Other operating expenses – net	10	(54,036)	(72,194)
Operating profit		123,918	19,883
Finance income	11	6,110	3,869
Finance costs	11	(36,043)	–
Finance (costs)/income – net	11	(29,933)	3,869
Share of losses of an associate and a joint venture		(1,281)	(1,129)
Profit before income tax		92,704	22,623
Income tax expense	12	(74,833)	(8,001)
Profit for the period		17,871	14,622
Profit attributable to:			
Owners of the Company		17,899	14,891
Non-controlling interests		(28)	(269)
Profit for the period		17,871	14,622
Earnings per share for the profit attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic	14(a)	0.01	0.01
– Diluted	14(b)	0.01	0.01

The notes on pages 30 to 69 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Profit for the period		17,871	14,622
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
Fair value change on debt instruments at fair value through other comprehensive income, net of tax		–	(1,036)
Currency translation differences		(256)	(15)
Other comprehensive income for the period		(256)	(1,051)
Total comprehensive income for the period		17,615	13,571
Attributable to:			
Owners of the Company		17,643	13,840
Non-controlling interests		(28)	(269)
Total comprehensive income for the period		17,615	13,571

The notes on pages 30 to 69 form an integral part of this interim condensed consolidated financial information.



INTERIM CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Investment properties	15	2,288,955	730,800
Property, plant and equipment	16	622,419	573,445
Intangible assets	17	14,401	16,592
Investment in an associate and a joint venture		2,433	3,714
Deferred income tax assets	18	7,910	48,980
Finance lease receivables – net	19	147,516	–
Other receivables and prepayments	22	156,533	128,228
		3,240,167	1,501,759
Current assets			
Inventories		29,643	37,883
Finance lease receivables – net	19	15,419	–
Financial assets at fair value through profit or loss (“FVPL”)	20	251,548	13,000
Derivative financial instrument	21	85,228	191,029
Trade receivables, other receivables and prepayments	22	361,847	156,507
Bank deposits	23	24,000	40,000
Cash and cash equivalents	23	221,969	310,634
		989,654	749,053
Total assets		4,229,821	2,250,812
EQUITY			
Share capital	24	213,908	213,908
Share premium	24	798,658	822,138
Shares held for share award scheme	24	(1,287)	(2,415)
Other reserves		325,948	324,736
Retained profits		702,272	194,823
Equity attributable to the owners of the Company		2,039,499	1,553,190
Non-controlling interests		12,547	12,731
Total equity		2,052,046	1,565,921

INTERIM CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	4	1,184,717	–
Deferred income tax liabilities	18	185,247	57,081
Borrowings	28	187,955	–
		1,557,919	57,081
Current liabilities			
Lease liabilities	4	64,754	–
Trade and other payables	26	318,217	410,920
Contract liabilities	27	129,480	166,933
Borrowings	28	–	8,994
Income tax payable		107,405	40,963
		619,856	627,810
Total liabilities		2,177,775	684,891
Total equity and liabilities		4,229,821	2,250,812

The notes on pages 30 to 69 form an integral part of this interim condensed consolidated financial information.

YANG XIANGBO
Director

HAO JIAN MIN
Director



INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Unaudited 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 profits RMB'000	Total equity RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2018	213,908	822,138	(2,415)	324,736	194,823	1,553,190	12,731	1,565,921
Adjustment on adoption of IFRS 16, net of tax (Note 4)	-	-	-	-	489,550	489,550	-	489,550
Balance at 1 January 2019	213,908	822,138	(2,415)	324,736	684,373	2,042,740	12,731	2,055,471
Comprehensive income								
Profit for the period	-	-	-	-	17,899	17,899	(28)	17,871
Other comprehensive income								
Currency translation differences	-	-	-	(256)	-	(256)	-	(256)
Total comprehensive income	213,908	822,138	(2,415)	324,480	702,272	2,060,383	12,703	2,073,086
Transactions with owners								
Transactions with non-controlling interests	-	-	-	(25)	-	(25)	(156)	(181)
Shareholders' contribution	-	-	-	2,410	-	2,410	-	2,410
Employee share award schemes:								
- Value of employee services (Note 25)	-	-	-	149	-	149	-	149
- Vesting of shares (Note 24)	-	(62)	1,128	(1,066)	-	-	-	-
Dividends (Note 13)	-	(23,418)	-	-	-	(23,418)	-	(23,418)
Total transactions with owners	-	(23,480)	1,128	1,468	-	(20,884)	(156)	(21,040)
Balance as at 30 June 2019	213,908	798,658	(1,287)	325,948	702,272	2,039,499	12,547	2,052,046

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Unaudited Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme	Other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
			RMB'000					
Balance at 1 January 2018	213,908	842,508	(5,641)	255,482	84,445	1,390,702	775	1,391,477
Comprehensive income								
Profit for the period	-	-	-	-	14,891	14,891	(269)	14,622
Other comprehensive income								
Changes in fair value of debt instruments at fair value through other comprehensive income, net	-	-	-	(1,036)	-	(1,036)	-	(1,036)
Currency translation differences	-	-	-	(15)	-	(15)	-	(15)
Total other comprehensive income	-	-	-	(1,051)	-	(1,051)	-	(1,051)
Total comprehensive income	213,908	842,508	(5,641)	254,431	99,336	1,404,542	506	1,405,048
Transaction with owners								
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	357	357
Capital injection	-	-	-	-	-	-	11,187	11,187
Employee share award schemes:								
- Value of employee services	-	-	-	1,195	-	1,195	-	1,195
- Vesting of shares (Note 24)	-	(327)	1,564	(1,237)	-	-	-	-
Total transactions with owners	-	(327)	1,564	(42)	-	1,195	11,544	12,739
Balance as at 30 June 2018	213,908	842,181	(4,077)	254,389	99,336	1,405,737	12,050	1,417,787

The notes on pages 30 to 69 form an integral part of this interim condensed consolidated financial information.



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
		2019	2018
Note		RMB'000	RMB'000
Cash flows from operating activities			
	Cash used in operations	(17,039)	(36,519)
	Income tax paid	(2)	(5,415)
	Net cash used in operating activities	(17,041)	(41,934)
Cash flows from investing activities			
	Payments for purchases of property, plant and equipment and other non-current assets	(33,429)	(19,259)
	Payments for purchases of intangible assets	–	(4,096)
	Payments for financial assets at fair value through profit or loss	(335,253)	(29,221)
	Transactions with non-controlling interests	(180)	(4,900)
	Proceeds from sale of financial assets at fair value through profit or loss	84,958	26,222
	Deposit received for sale of financial assets at fair value through profit and loss	67,360	–
	Proceeds from disposals of property, plant and equipment	311	1,831
	Principal portion of finance lease received as the lessor	7,458	–
	Interest portion of finance lease received as the lessor	5,722	–
	Decrease in bank deposits	16,000	19,050
	Interest received	911	2,490
	Proceeds from acquisition of subsidiary, net of cash paid	–	1,763
	Net cash used in investing activities	(186,142)	(6,120)

The notes on pages 30 to 69 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
Note		2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
	28	187,955	–
		220,000	–
	28	(8,994)	–
		(220,000)	–
		(1,515)	–
		(31,837)	–
		(31,735)	–
Net cash generated from financing activities		113,874	–
Net decrease in cash and cash equivalents			
		(89,309)	(48,054)
		310,634	379,814
		644	1,625
Cash and cash equivalents as at 30 June	23	221,969	333,385

The notes on pages 30 to 69 form an integral part of this interim condensed consolidated financial information.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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 The People’s Republic of China (“the **PRC**”). In 2018, the Group commenced to develop its property business and acquired ten parcels of land in Xuyi, Jiangsu Province, PRC. In April 2019, the Group also entered into consultancy agreements to provide consultancy services for two property projects in Shenzhen.

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 30 August 2019.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 (the “**interim period**”) has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 ‘Interim Financial Reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year beginning 1 January 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as result of adopting the IFRS 16 “Leases”.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

(b) Impact of standards issued but not yet applied by the Group:

The following new and amended standards that have been issued but not effective for the financial year beginning on 1 January 2019 and have not been early adopted:

		Effective for the financial year beginning on or after
IFRS 3 (amendments)	Definition of business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is yet to assess the impact of the above new and revised standards, amendments and interpretations to existing standards on the Group’s consolidated financial statements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

There were no leases previously classified as finance leases at the date of initial application.

The following tables show the adjustments recognised for each individual line item.

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,632,912
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	1,122,802
Add: adjustments as a result of a different treatment of extension and termination options	158,506
(Less): low-value leases recognized on a straight-line basis as expense	(60)
Lease liabilities recognised as at 1 January 2019	1,281,308
Of which are:	
Current lease liabilities	59,620
Non-current lease liabilities	1,221,688
	1,281,308

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

The associated right-of-use assets for property leases, which had been or were planned to be operatingly subleased out, were recognised as investment properties and measured at fair value on a retrospective basis as if the new rules had always been applied. The associated right-of-use assets for property leases, which had been financially subleased out, were recognised as receivables and measured at the amount equal to the net investment calculated with the implicated interest rates in the financing leases on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at	
	30 June 2019	1 January 2019
	RMB'000	RMB'000
Investment properties (Note 15)	1,548,055	1,554,080
Property, plant and equipment (Note 16)	90,093	99,302
Total right-of-use assets	1,638,148	1,653,382

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- property, plant and equipment – increase by RMB67,849,000
- investment properties – increase by RMB1,554,080,000
- finance lease receivables – increase by RMB170,392,000
- other receivables – decrease by RMB10,667,000
- deferred tax assets – decrease by RMB35,467,000
- deferred tax liabilities – increase by RMB125,087,000
- trade and other payables – decrease by RMB149,758,000
- lease liabilities – increase by RMB1,281,308,000

The net impact on retained earnings on 1 January 2019 was an increase of RMB489,550,000.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

(i) Impact on earnings per share

The impact on the earnings per share for the six months ended 30 June 2019 as a result of the adoption of IFRS 16 was immaterial.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for

The Group leases various properties. Rental contracts are typically made for fixed periods of 3 to 22 years but may have extension options as described in Note 4(b)(i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset (for self-occupation), an investment property (for operating leased-out), a finance lease receivable (for financing leased-out) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT

5.1 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.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018.

There have been no significant changes to risk management policies since year end.

5.2 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

For the six months ended 30 June 2019

	Carrying amount RMB'000	Contractual cash flow RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Borrowings (Note 28)	187,955	260,176	18,165	17,773	137,481	86,757
Lease liabilities	1,249,471	1,692,863	129,081	141,607	413,556	1,008,619
Other financial liabilities	236,369	236,369	236,369	-	-	-
	1,673,795	2,189,408	383,615	159,380	551,037	1,095,376

For the year ended 31 December 2018

	Carrying amount RMB'000	Contractual cash flow RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Borrowings (Note 28)	8,994	8,994	8,994	-	-	-
Other financial liabilities	359,964	359,964	359,964	-	-	-
	368,958	368,958	368,958	-	-	-



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

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

30 June 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL				
Unlisted equity securities (Note 20)	-	-	4,223	4,223
Listed equity securities (Note 20)	247,325	-	-	247,325
Derivative financial instrument	-	85,228	-	85,228
Investment properties (Note 15)	-	-	2,288,955	2,288,955
	247,325	85,228	2,293,178	2,625,731

31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL				
Wealth management products with variable return rate (Note 20)	-	13,000	-	13,000
Investment properties (Note 15)	-	-	730,800	730,800
Derivative financial instrument (Note 21)	-	191,029	-	191,029
	-	204,029	730,800	934,829



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Bank deposits
- Cash and cash equivalents
- Trade and other payables
- Borrowings
- Lease liabilities

6. SEGMENT INFORMATION

Previously, the Group operated in a single business segment, i.e. operation of department stores in the PRC. Accordingly, no segmental analysis is presented.

Commencing from the year ended 31 December 2018, the Group started to develop its property business and acquired ten parcels of land in Xuyi, Jiangsu Province, the PRC. On 8 April 2019, the Group entered into a consultancy agreement to provide consultancy services for two property projects in Shenzhen.

For management purposes, the Group is organised into business units based on their business operations and has two reportable operating segments as follows:

- Department stores business – operation of department stores
- Property business and others – property business and unallocated items

Unallocated items comprised of mainly head office overheads and fair value changes on financial instruments.

The Board assesses the performance of the operating segments based on a measure of net profit. At the Group level no information regarding segment assets and segment liabilities is provided to the Board.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

6. SEGMENT INFORMATION (CONTINUED)

At the Group level no information regarding segment assets and segment liabilities is provided to the Board.

The segment information is as follows:

	Six months ended 30 June 2019		
	Department stores RMB'000	Property business and others RMB'000	Group RMB'000
Revenue	175,850	287,068	462,918
Timing of revenue recognition			
At a point in time	103,146	–	103,146
Over time	72,704	287,068	359,772
Other operating revenue	35,960	–	35,960
Other losses – net	(17,031)	(117,667)	(134,698)
Purchase of and changes in inventories	(81,532)	–	(81,532)
Employee benefits	(46,129)	(36,825)	(82,954)
Depreciation and amortisation	(17,331)	(4,409)	(21,740)
Other operating expenses – net	(46,841)	(7,195)	(54,036)
Operating profit	2,946	120,972	123,918
Finance income	6,105	5	6,110
Finance costs	(32,006)	(4,037)	(36,043)
Finance costs – net	(25,901)	(4,032)	(29,933)
Share of losses of an associate and a joint venture	(1,281)	–	(1,281)
(Loss)/profit before income tax	(24,236)	116,940	92,704
Income tax expense	(8,659)	(66,174)	(74,833)
(Loss)/profit for the period	(32,895)	50,766	17,871



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

6. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2018		
	Department stores business RMB'000	Property business and others RMB'000	Group RMB'000
Revenue	602,060	–	602,060
Timing of revenue recognition			
At a point in time	539,429	–	539,429
Over time	62,631	–	62,631
Other operating revenue	67,976	–	67,976
Other losses – net	27,476	–	27,476
Purchase of and changes in inventories	(412,337)	–	(412,337)
Employee benefits	(91,420)	–	(91,420)
Depreciation and amortisation	(34,078)	–	(34,078)
Operating lease rental expenses	(67,600)	–	(67,600)
Other operating expenses – net	(72,194)	–	(72,194)
Operating profit	19,883	–	19,883
Finance income	3,869	–	3,869
Share of losses of an associate and a joint venture	(1,129)	–	(1,129)
Profit before income tax	22,623	–	22,623
Income tax expense	(8,001)	–	(8,001)
Profit for the period	14,622	–	14,622

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

7. REVENUE

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Integrated consulting service fee (Note 30(a)(ii))	287,068	–
Direct sales	87,380	480,023
Commission from concessionaire sales	15,376	59,177
Rental income	72,704	62,631
Income from reversal of long-aged unredeemed prepaid cards	390	229
	462,918	602,060

8. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Promotion, administration and management income	33,661	59,821
Credit card handling fees for concessionaire sales	1,361	5,138
Others	938	3,017
	35,960	67,976



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

9. OTHER (LOSSES)/GAINS - NET

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Reversal of long-aged accounts payable (a)	–	16,632
Change in fair value of investment properties (Note 15)	(15,509)	5,125
Investment gain from redemption on maturity and disposal of FVPL	–	3,041
(Accrual)/reversal of legal claims (Note 26)	(682)	3,014
Loss on disposal of property, plant and equipment	(79)	(791)
Change in fair value of financial instruments (Note 20, 21)	(117,667)	–
Others	(761)	455
	(134,698)	27,476

- (a) As at 30 June 2018, the Group reviewed the aging of the accounts payable and reversed the balance of certain inactive suppliers and vendors aging over 3 years amounting to RMB16,632,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

10. 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:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Purchase of and changes in inventories	81,532	412,337
Employee benefits	82,954	91,420
Operating lease rental expenses	–	67,600
Depreciation and amortisation expenses (Notes 16, 17)	21,740	34,078
Utilities	26,250	30,658
Fee received by auditors for other professional service	867	867
Other expenses	26,919	40,669
	240,262	677,629

11. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Finance income		
Interest income from finance leases as the lessor	5,722	–
Interest income from bank deposits	388	3,869
	6,110	3,869
Finance costs		
Interest expenses from operating leases as the lessee	(31,735)	–
Interest expenses from bank loan	(1,898)	–
Interest expenses from shareholder's loan (Note 30(a)(iv))	(2,410)	–
	(36,043)	–
Finance (costs)/income – net	(29,933)	3,869



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC corporate income tax	66,150	7,374
Deferred income tax (Note 18)	8,683	627
	74,833	8,001

- (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 interim period. 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.

13. DIVIDENDS

Pursuant to the resolutions passed by the Board on 20 August 2018, an interim and special cash dividend of HKD0.0021 and HKD0.0062 respectively (equivalent to approximately RMB0.0018 and RMB0.0055 respectively) per share for the interim period, amounting to HKD5,240,000 and HKD15,419,000 respectively (equivalent to approximately RMB4,387,000 and RMB13,613,000 respectively) was declared and paid by the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

13. DIVIDENDS (CONTINUED)

Pursuant to the resolutions passed by the annual general meeting of the Company held on 14 June 2019, a final dividend of HKD0.0109 (equivalent to approximately RMB0.0094) per share, amounting to HKD27,196,000 (equivalent to approximately RMB23,418,000) out of the share premium account for the year ended 31 December 2018 was approved and paid by the Company in July 2019.

The Board recommend an interim dividend of HKD0.0024 (equivalent to approximately RMB0.0021) per share or in the total amount of HKD5,988,000 (equivalent to approximately RMB5,361,300). The interim dividend is to be proposed out of share premium account and this interim financial information do not reflect this dividend payable.

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. The repurchases of the Company's own ordinary shares was reflected in the weighted average number of ordinary shares in issue from the date shares were repurchased.

	Six months ended 30 June	
	2019	2018
Profits attributable to owners of the Company (in RMB thousands)	17,899	14,891
Weighted average number of ordinary shares in issue (thousands)	2,492,661	2,485,141
Basic earnings per share (RMB per share)	0.01	0.01



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

14. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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

	Six months ended 30 June	
	2019	2018
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	17,899	14,891
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	2,492,661	2,485,141
Adjustments for awarded shares	2,070	9,859
Weighted average number of ordinary shares for diluted earnings per share	2,494,731	2,495,000
Diluted earnings per share (RMB per share)	0.01	0.01

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

15. INVESTMENT PROPERTIES

	Land and buildings RMB'000	Right-of-use assets RMB'000	Total RMB'000
Six months ended 30 June 2019			
At 31 December 2018	730,800	–	730,800
Adjustment on adoption of IFRS 16 (Note 4)	–	1,554,080	1,554,080
At 1 January 2019	730,800	1,554,080	2,284,880
Capitalised subsequent expenditure	–	19,584	19,584
Change in fair value of investment properties (Note 9)	10,100	(25,609)	(15,509)
As at 30 June 2019	740,900	1,548,055	2,288,955
Six months ended 30 June 2018			
At 1 January 2018	202,575	–	202,575
Change in fair value of investment properties (Note 9)	5,125	–	5,125
As at 30 June 2018	207,700	–	207,700

As at 30 June 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: Nil).

The fair value of the Group's investment properties falls under level 3 (Note 5.3) in the fair value hierarchy.

The Group's investment properties were valued 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000	Right-of- use assets RMB'000	Total RMB'000
Six months ended 30 June 2019			
As at 31 December 2018	573,445	–	573,445
Adjustment on adoption of IFRS 16 (Note 4)	(31,453)	99,302	67,849
As at 1 January 2019	541,992	99,302	641,294
Additions	1,064	–	1,064
Disposals	(390)	–	(390)
Depreciation (Note 10)	(10,340)	(9,209)	(19,549)
As at 30 June 2019	532,326	90,093	622,419
Six months ended 30 June 2018			
As at 1 January 2018	1,081,220	–	1,081,220
Acquisition of a subsidiary	327	–	327
Additions	34,351	–	34,351
Disposals	(12,326)	–	(12,326)
Depreciation (Note 10)	(31,714)	–	(31,714)
Assets classified as held for sales	(37,092)	–	(37,092)
As at 30 June 2018	1,034,766	–	1,034,766

17. INTANGIBLE ASSETS

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
As at 1 January	16,592	18,785
Additions	–	4,096
Amortisation (Note 10)	(2,191)	(2,364)
Assets classified as held for sales	–	(567)
As at 30 June	14,401	19,950

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. DEFERRED INCOME TAX

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

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Deferred income tax assets	7,910	48,980
Deferred income tax liabilities	(185,247)	(57,081)
Net deferred income tax liabilities	(177,337)	(8,101)

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

	2019 RMB'000	2018 RMB'000
As at 31 December 2018	(8,101)	16,925
Adjustment on adoption of IFRS 16 (Note 4)	(160,553)	–
As at 1 January 2019	(168,654)	16,925
Tax charged to consolidated income statement (Note 12)	(8,683)	(627)
As at 30 June 2019	(177,337)	16,298



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

19. FINANCE LEASE RECEIVABLES – NET

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Finance lease receivables	191,813	–
Unguaranteed residual values	22,432	–
Gross investment in finance leases	214,245	–
Less: unearned finance income	(51,310)	–
Net investment in finance leases	162,935	–
Less: accumulated allowance for impairment	–	–
Finance lease receivables – net	162,935	–

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Gross investment in finance leases	214,245	–
Less: unguaranteed residual values	(22,432)	–
Minimum lease payments receivable	191,813	–
Less: unearned finance income related to minimum lease payments receivable	(40,677)	–
Present value of minimum lease payments receivable	151,136	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

19. FINANCE LEASE RECEIVABLES – NET (CONTINUED)

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings at the end of each reporting period:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Gross investment in finance leases		
– Not later than 1 year	26,140	–
– Later than 1 year and not later than 5 years	106,615	–
– Later than 5 years	81,490	–
	214,245	–

The table below analyses the present value of minimum lease payments receivable under finance leases by relevant maturity groupings at the end of each reporting period:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Present value of minimum lease payments receivable		
– Not later than 1 year	25,662	–
– Later than 1 year and not later than 5 years	86,386	–
– Later than 5 years	39,088	–
	151,136	–



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unlisted equity securities RMB'000	Listed equity securities RMB'000	Wealth management products RMB'000	Total RMB'000
Six months ended 30 June 2019				
As at 1 January 2019	-	-	13,000	13,000
Additions	4,223	259,191	-	263,414
Disposals	-	-	(13,000)	(13,000)
Fair value change recognised in profit or loss (a) (Note 9)	-	(11,866)	-	(11,866)
As at 30 June 2019	4,223	247,325	-	251,548
Six months ended 30 June 2018				
As at 1 January 2018	-	-	24,485	24,485
Additions	-	-	29,221	29,221
Disposals	-	-	(22,635)	(22,635)
Fair value change recognised in other comprehensive income	-	-	(1,036)	(1,036)
Currency translation difference	-	-	1,771	1,771
As at 30 June 2018	-	-	31,806	31,806

(a) The amount of RMB11,866,000 represented fair value change of 1,320,000,000 shares of TFG International Group Limited, see note 21 for further details.

21. DERIVATIVE FINANCIAL INSTRUMENT

	Derivative (a) RMB'000	Derivative (b) RMB'000	Total RMB'000
Six months ended 30 June 2019			
As at 1 January 2019	191,029	-	191,029
Fair value change recognised in profit or loss (Note 9)	(191,029)	85,228	(105,801)
As at 30 June 2019	-	85,228	85,228

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

21. DERIVATIVE FINANCIAL INSTRUMENT (CONTINUED)

- (a) On 24 December 2018, Baoke Trading (BVI) Company Limited (“**Baoke**”), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with All Great International Holdings Limited (“**All Great**”), pursuant to which Baoke agreed to acquire and All Great agreed to sell 1,320,000,000 shares of TFG International Group Limited (“**TFG**”), representing approximately 19% of the total issued share capital of TFG, at the price of HKD0.225 per share and equals to a total consideration of HKD297,000,000 (approximately RMB260,038,000). TFG is a company incorporated in the Cayman Islands with limited liability, engaged in property development and hotel business in the PRC and the shares of which are listed on the Main Board of The Stock Exchange Hong Kong Limited. As at 31 December 2018, the Group had a derivative financial instrument of RMB191,029,000 representing the difference between the fair value of the shares and the present value of consideration. A fair value gain of the same amount had also been recorded in “Other gains – net” which were mainly due to increase in TFG’s share price during the period. The total consideration of HKD297,000,000 (approximately RMB260,038,000) was settled in cash and this transaction was completed on 9 January 2019.
- (b) On 26 June 2019, Baoke and an independent third party entered into a sale and purchase agreement, pursuant to which that independent third party agreed to acquire, and Baoke agreed to sell the 1,320,000,000 TFG Shares at the price of HK\$0.29 per share equals to a total consideration of HKD382,800,000 (approximately RMB336,734,000). As at 30 June 2019, the Group had a derivative financial instrument of RMB85,228,000 representing the difference between the fair value of the shares and the present value of consideration. A fair value gain of the same amount had also been recorded in “Other gains – net”.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Current portion:		
Amounts due from a related party (Note 30(b))	283,985	–
Trade receivables (a)	43,087	38,111
Other receivables	26,444	103,206
Lease deposits	5,765	1,881
Prepayments	1,988	7,477
Receivable from a trustee for the share purchase for the employees' share award scheme (b)	483	5,214
Interest receivables	95	618
	361,847	156,507
Non-current portion:		
Other receivable	36,993	22,478
Lease deposits	22,479	25,140
Prepayments	97,061	83,272
Provision for impairment loss allowance	–	(2,662)
	156,533	128,228
	518,380	284,735

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (Continued)

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

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
0 – 30 days	29,843	24,960
31 – 90 days	9,687	8,832
91 – 365 days	3,557	4,319
	43,087	38,111

All trade receivables are denominated in RMB and their carrying amounts approximate their fair values as at 30 June 2019.

(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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Cash and bank balances	221,969	308,629
Bank deposits with initial terms of within three months	–	2,005
Cash and cash equivalents	221,969	310,634
Bank deposits with initial terms of over three months	24,000	40,000
	245,969	350,634

24. SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME

	Number of ordinary shares (thousand)	Ordinary share capital RMB'000	Share premium RMB'000 (Note a)	Shares held for share award scheme RMB'000 (Note b)	Total RMB'000
As at 1 January 2019	2,495,000	213,908	822,138	(2,415)	1,033,631
Employee's share award scheme					
– shares vested from share award scheme and transferred to the grantees (Note 25)	–	–	(62)	1,128	1,066
Dividends (Note 13)	–	–	(23,418)	–	(23,418)
As at 30 June 2019	2,495,000	213,908	798,658	(1,287)	1,011,279
As at 1 January 2018	2,495,000	213,908	842,508	(5,641)	1,050,775
Employee's share award scheme					
– shares vested from share award scheme and transferred to the grantees	–	–	(327)	1,564	1,237
As at 30 June 2018	2,495,000	213,908	842,181	(4,077)	1,052,012

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

24. SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME (CONTINUED)

- (a) The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) Shares held for share award scheme represented the award shares purchased for purpose of the share award scheme adopted by the Company. See Note 25 for further details.

25. SHARE-BASED PAYMENTS

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

The Share Award Scheme is managed by an independent trustee ("**Trustee**") appointed by the Group. The Trustee purchases the award shares under the direction of the Company for the purpose of the Share Award Scheme.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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25. SHARE-BASED PAYMENTS (CONTINUED)

Movement of shares held for share award scheme for the six months ended 30 June 2019 are as follows:

	Number of Shares (thousand)	Amount RMB'000
As at 1 January 2019	4,389	2,415
Vesting of Award Shares	(2,050)	(1,128)
As at 30 June 2019	2,339	1,287

The Award Shares were divided into 3 tranches on an equal basis as at their grant date. The first tranche can be exercised upon one year 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.

Movement of the Award Shares granted to the employees for the six months ended 30 June 2019 is as follows:

	Shares granted on 13 July 2015 (thousand)	Shares granted on 20 January 2017 (thousand)	Total (thousand)
At 1 January 2019	210	4,100	4,310
Forfeited during the period	-	(190)	(190)
Vested during the period	-	(2,050)	(2,050)
As at 30 June 2019	210	1,860	2,070

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For the six months ended 30 June 2019

25. SHARE-BASED PAYMENTS (CONTINUED)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Employees (excluding directors)	149	1,130
Directors	–	65
Total employees benefit expenses	149	1,195

26. TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Deposits	73,221	83,273
Accrued wages and salaries	38,047	34,072
Other tax payables	20,382	3,814
Trade payables (a)	29,208	70,197
Received in advance	67,360	–
Dividends payables	23,418	–
Accrual for legal claims (Note 31)	4,133	3,451
Amount due to related parties (Note 30(b)(ii))	191	181
Rental payables (Note 4)	–	149,758
Other payables and accruals	62,257	66,174
	318,217	410,920



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

26. TRADE AND OTHER PAYABLES (CONTINUED)

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

- (a) The aging analysis of the trade payables of the Group were as follows:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
0 – 30 days	13,088	21,361
31 – 60 days	7,071	12,674
61 – 90 days	2,087	18,097
91 – 365 days	4,498	11,455
1 year – 2 years	1,328	5,721
2 years – 3 years	1,136	889
	29,208	70,197

27. CONTRACT LIABILITIES

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Advances received from customers (a)	107,735	144,222
Deferred income (b)	21,745	22,711
	129,480	166,933

- (a) The amount mainly represented cash received for prepaid cards sold.
- (b) The amount mainly represented the carrying amount of unredeemed awarded credits.

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For the six months ended 30 June 2019

28. BORROWINGS

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Non-current		
Secured long-term bank borrowings (a)	187,955	–
Current		
Unsecured short-term borrowings (b)	–	8,994

- (a) The Group's long-term bank borrowings as at 30 June 2019 of RMB187,955,000 were secured by certain buildings at the carrying amount of RMB615,600,000. During the period ended by 30 June 2019, the weighted average effective interest rate was 6.20% per annum.
- (b) As at 31 December 2018, the unsecured short-term borrowing was denominated in HKD and was repayable within one year. The weighted average effective interest rate was 15% per annum. The short-term borrowing was repaid by the Group in February 2019.

29. CAPITAL COMMITMENTS

- (a) Capital expenditures contracted for at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Expenditures of property, plant and equipment	59,230	42,539
Acquisition of land	189,650	189,650
Acquisition of shares	–	260,038
	248,880	492,227



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For the six months ended 30 June 2019

30. RELATED PARTY TRANSACTIONS

The Group is controlled by Shirble Department Store Limited (incorporated in the BVI), which owns 52.79% of the shares in the Company. The ultimate parent of the Group is Xiang Rong Investment Limited (incorporated in the BVI). The ultimate controlling party of the Group is Mr. Yang Xiangbo.

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

Name	Relationship
Shenzhen Ruizhuo Investment Development Company Limited (“ Ruizhuo Investment ”)	Owned in equal shares by Mr. Yang Xiangbo’s nephew and niece
Luhe County Shirble Inn (“ Shirble Inn ”)	Controlled by Mr. Yang Xiangbo
Lufeng Haige Restaurant Co., Ltd. (“ Lufeng Haige ”)	Wholly-owned by Shirble Inn, which is in turn ultimately controlled by Mr. Yang Xiangbo
Shenzhen Shengrunfeng Investment & Development Co., Ltd. (“ SRF ”)	Ultimately controlled by Mr. Yang Xiangbo
Shenzhen Hexinglong Industrial Co., Ltd. (“ HXL ”)	Ultimately controlled by Mr. Yang Xiangbo

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

30. RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:

(a) Transactions with related parties

(i) Rental expenses to related parties

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Ruizhuo Investment	10	10

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.

(ii) Integrated consulting service to related parties

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
SRF	241,185	–
HXL	45,883	–
	287,068	–

In April 2019, Shenzhen Shirble Enterprise Management Co., Ltd., a limited company established in the PRC and a wholly owned subsidiary of the Company, entered into two consultancy agreements with SRF and HXL to provide consultancy services. The consultancy services included but not limited to project development and strategic advisory services for the establishment of a project team, as well as systematic analysis and consulting services for the full-cycle development, financial and capital management of two property projects in Shenzhen.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(iii) Loans from a shareholder

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Mr. Yang Xiangbo	220,000	–

The Group obtained unsecured and interest-free loans amounted to RMB220,000,000 from the controlling shareholder of the Company, Mr. Yang Xiangbo in January 2019 which were subsequently repaid in March 2019.

(iv) Interest expense of loans deemed as shareholder's contribution

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Mr. Yang Xiangbo	2,410	–

(b) Balances with related parties

(i) Amounts due from related parties

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
SRF	238,595	–
HXL	45,390	–
	283,985	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

(ii) Amounts due to related parties

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Ruizhuo Investment	191	181

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

(iii) Key management compensation

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

	Six months ended 30 June	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Basic salaries and allowances	15,194	6,447
Half year-end bonuses	2,282	606
Contributions to the retirement scheme	27	28
Share-based compensation expenses	–	224
	17,503	7,305

31. CONTINGENT LIABILITIES

Certain suppliers, vendors and employees have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms. As at 30 June 2019, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB4,133,000 (31 December 2018: RMB3,451,000), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.



OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieve and maintain high corporate governance standards. In the opinion of the Directors, throughout the six months ended 30 June 2019, the Company has complied with the principles and code provisions of the Corporate Governance Code contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The internal audit department has reported its findings and work plan to the Audit Committee twice a year, and the Board and the Audit Committee then reviewed and refined the Group’s material controls, including financial, operational and compliance controls and risk management functions.

The Board, together with the Audit Committee, have also assessed 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.

The enhancement of the internal control measures will continue to be monitored by the internal audit department and the chief executive officer of the Group. The internal audit department will continue to conduct periodic review on the internal controls of the Group and report their findings to the Audit Committee and the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors’ securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code during the six months ended 30 June 2019.

OTHER INFORMATION

AUDIT COMMITTEE

As of the date of this report, the Audit Committee comprises three independent non-executive Directors, namely, Mr. FOK Hei Yu (Chairman), Mr. CHEN Fengliang and Mr. JIANG Hongkai. 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 six months ended 30 June 2019, the Audit Committee held two regular meetings with the management and the auditor of the Company on the auditing, internal controls and financial reporting matters of the Group, and review the Group's internal controls and the annual results for the year ended 31 December 2018.

REVIEW OF THE INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2019 have not been audited but have been reviewed by the Audit Committee.

INTERIM DIVIDEND

The Board declares an interim dividend of HKD0.0024 (equivalent to approximately RMB0.0021) per share or in the total amount of HKD6.0 million (equivalent to approximately RMB5.4 million) (2018: an interim and special cash dividend of HKD0.0021 and HKD0.0062 respectively (equivalent to approximately RMB0.0018 and RMB0.0055 respectively) per share or in the total amount of HKD5.2 million and HKD15.4 million respectively (equivalent to approximately RMB4.4 million and RMB13.6 million respectively)) for the six months ended 30 June 2019 which will be payable by way of cash in Hong Kong dollars. The Directors consider that this dividend level is appropriate after due consideration of the operating results of the Group for the six months ended 30 June 2019. The interim dividend will be paid on or around 27 September 2019 to Shareholders whose names appear on the Register of Members at the close of business on 18 September 2019.



OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 September 2019 to 18 September 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered for the purpose in order to determine the entitlement to receive the interim dividend. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 September 2019.

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

As of 30 June 2019, the interests and short positions of the Directors in the shares of the Company, underlying shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which were required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

OTHER INFORMATION

(a) Long positions in shares of the Company

Name of directors	Capacity	Number of shares	Percentage of shareholding
Mr. YANG Xiangbo (Note 1, 2)	Interest in a controlled corporation	1,308,881,500	52.46%
	Interest of spouse	8,324,000	0.33%
Mr. HAO Jian Min	Beneficial owner	374,250,000	15.00%
Mr. YANG Ti Wei	Beneficial owner	2,490,000	0.09%

Notes:

- Mr. YANG Xiangbo is the beneficial owner of all the issued share capital of Xiang Rong Investment Limited ("**Xiang Rong Investment**"), which in turn owns the entire issued share capital of Shirble Department Store Limited ("**Shirble BVI**") and is deemed to be interested in the 1,308,881,500 shares held by Shirble BVI.
- The 8,324,000 shares were held by Ms. HUANG Xue Rong, spouse of Mr. YANG Xiangbo.

(b) Long positions in the shares of associated corporations

Name of director	Name of associated corporations	Capacity	Number of shares	Percentage of shareholding
Mr. YANG Xiangbo	Shirble BVI	Interest in a controlled corporation	50,000	100%
Mr. YANG Xiangbo	Xiang Rong Investment	Beneficial owner	100	100%

Save as disclosed above, as of 30 June 2019, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights of such interests during the six months ended 30 June 2019.



OTHER INFORMATION

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

As of 30 June 2019, 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 positions in the shares of the Company

Name	Capacity	Number of Shares	Percentage of shareholding
Shirble BVI	Beneficial owner	1,317,205,500	52.79%
Xiang Rong Investment	Interest in a controlled corporation	1,317,205,500	52.79%
HUANG Xue Rong	Interest of spouse (Note 1)	1,308,881,500	52.46%
SU Chen	Interest of spouse (Note 2)	374,250,000	15.00%

Notes:

- (1) The 1,308,881,500 shares of the Company were held by Shirble BVI, which is wholly owned by Xiang Rong Investment, which is in turn wholly owned by Mr. YANG Xiangbo. According to the SFO, both Mr. YANG Xiangbo and Xiang Rong Investment were deemed to have interests in the 1,308,881,500 shares held by Shirble BVI. Ms. HUANG Xue Rong (being the spouse of Mr. YANG Xiangbo) was deemed, under the SFO, to have an interest in the shares which Mr. YANG Xiangbo was interested in.
- (2) The 374,250,000 shares of the Company were held by Mr. HAO Jian Min. Ms. SU Chen (being the spouse of Mr. HAO Jian Min) was deemed, under the SFO, to have an interest in shares which Mr. HAO Jian Min was interested in.

Save as disclosed above, as of 30 June 2019, 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.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Scheme**”) pursuant to the resolutions of the shareholders of the Company passed on 30 October 2010. The purpose of the Scheme is to recognise and acknowledge the contributions that the Group’s Directors and employees, customers, suppliers, agents, business or joint venture partners, consultants, distributors, promoters, service providers, advisors or contractors to any member of the Group have made or may make to the business development of the Group. Apart from the determination of the subscription price, the Directors will have an absolute discretion on imposing performance targets on the option holders before any option that can be exercised with reference to the objectives of the Scheme. A consideration of HK\$1.0 will be payable upon acceptance of the offer. The maximum number of shares may be issued under the Scheme shall not exceed 10% of the issued share capital of the Company (i.e. 249,500,000 shares) as of the date of this report. Details of the Scheme were disclosed in the prospectus of the Company dated 5 November 2010.

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



OTHER INFORMATION

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 Employees' 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, 4,834,600 shares granted to 34 eligible employees have not been vested due to departure, while an additional of 553,200 share were granted to two eligible employees upon their promotion.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

YANG Xiangbo (*Co-Chairman*)

HAO Jian Min (*Co-Chairman*)

YANG Ti Wei (*Chief Executive officer*)

Independent non-executive Directors:

CHEN Fengliang

JIANG Hongkai

FOK Hei Yu

AUDIT COMMITTEE OF THE BOARD

FOK Hei Yu (*Chairperson*)

CHEN Fengliang

JIANG Hongkai

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

FOK Hei Yu

COMPANY SECRETARY

CHAN Chore Man, Germaine, *CPA*

AUTHORISED REPRESENTATIVES

YANG Xiangbo

CHAN Chore Man, Germaine, *CPA*

AUDITOR

PricewaterhouseCoopers

22nd Floor, Prince's Building

10 Chater Road

Central, Hong Kong

HONG KONG LEGAL ADVISER

Squire Patton Boggs

29th Floor, Edinburgh Tower

The Landmark

15 Queen's Road Central

Central, Hong Kong

PRINCIPAL BANKERS

In China

Industrial and Commercial Bank of
China

PingAn Bank

Huaxia Bank

China Merchants Bank

In Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited

Hang Seng Bank Limited



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House
3rd Floor, 24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER IN THE PRC

8/F, Dingfeng Building
1036 Bao An South Road
Luo Hu District
Shenzhen
PRC

PLACE OF BUSINESS AND HEADQUARTER IN HONG KONG

Suites 1105-12
11/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPANY'S WEBSITE

www.shirble.net

STOCK CODE

00312.HK